Trust and the Australian Retail Banking Industry

The impact of deinstitutionalisation of Australian retail banking services on consumer trust

by

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Abstract

Consumer trust research has principally developed from established psychological-based research. This conception of consumer trust largely draws from research pertaining to interpersonal trust. This study combined existing theories from both sociological and psychological research in developing a consumer trust model specifically for banks.

Partly because of their historical position in society and also because of their government-protected position, banks, bank branches and bank managers have traditionally held a respected, and trusted position in Australian communities. Because of this reputation and position in communities, banks were seen to display institutional attributes. These attributes were defined in this study as local community focus, local availability and visibility, relationship power symmetry and social obligation fulfilment.

This study explored the notion of institution-based trust in an Australian retail banking context. Institution-based trust was a measure of the levels of consumer trust in various defined institutional attributes. It was contended that through the diminishment and divestment of its institutional attributes banks were impairing their institutional cachet. The process was termed “deinstitutionalisation” and was postulated to have a negative impact on consumer trust.

The hypothetico-deductive methodological framework was employed throughout the study, with a mail-based consumer survey used as the main means of primary data collection. 468 useable questionnaires from adult bank customers were yielded and the data analysed. These data were analysed and used to test twenty-three research hypotheses of which nineteen were supported.

From the results, it was concluded that perceived local community focus, perceived social obligation fulfilment and perceived relationship power symmetry were antecedents to consumer trust in banks. Also, reasonable availability of conventional bank branch services was found to be an important component of perceived community focus of their banks, thus having an indirect relationship to
institution-based consumer trust in banks. Community Banks were found to be exhibiting and promoting many of these institutional attributes.

Consumers were found to be less likely to need bank branches for transactional or functional purposes, but branches were seen to be symbolically important. Also, consumers were found to be more likely to identify with intangible elements of their bank, principally bank brand, than with tangible attributes such as the bank branch. Importantly, consumers were found to be trusting of their banks, however they were more likely to believe that banks were less trustworthy now than they were in the past.
Declaration

This thesis contains no material which has been accepted for the award of any other degree or diploma, except where due reference is made in the text of the thesis. To the best of my knowledge, the thesis contains no material previously published or written by another person except where due reference is made in the text of the thesis.

Lukas Parker

6 October 2005
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To Mum and Dad for putting up with me and my obsessions.
Background and Aims

1.1 Introduction and Statement of the Problem

This study explores the relationship between trust and physical distribution points in a consumer-based retail banking context. Physical distribution points of retail banks have traditionally been at the bank branches, however over the last 20 years there has been a trend towards the replacement (or enhancement) of conventional bank branch services with electronic services (Reserve Bank of Australia 2004).

Electronic services provided by Australian retail banks include automatic teller machines (ATMs), electronic funds transfer at the point of sale (EFTPOS), GiroPost (bank services at post offices), phone banking and Internet banking (Cousins 1995; Ralston & Beal 2000; Wallis et al. 1997). In some cases bank branches have been supplemented or replaced by agencies located in post offices, chemists, general stores, supermarkets and newsagencies (Department of Local Government and Regional Development 2002; Griffith 2000; Hawker et al. 1999; Jarred 2001; Walker 1998; Wallis et al. 1997). In many cases these services have been supplemental to those provided by the conventional banks, however, recently a more rigorous push towards the replacement of conventional banking services to electronically mediated ones has become evident (Avkiran 1999; Joseph et al. 1999; Kaynak & Whiteley 1999; Reserve Bank of Australia 2004). As the
transformation of service delivery occurs, so have consumers’ perceptions and attitudes towards the banks been transformed.

This study explores the Australian retail banking industry’s transition from a purely physical banking service to an electronic banking service, and the extent to which customers’ relationships with banks have adjusted. The relationship between physical presence and institutional trust imbued by the banks are further analysed and related to the concept of consumer trust. Also investigated is whether banks exist to provide a basic transactional and financial function or whether they also play a symbolic role within the community they cohabit.

Issues of the symbolism of banks and bank branches are investigated with the intent of providing a clearer understanding of the role that visual symbolism and physical presence have on the relationship between client and business. It also enables the exploration of what customers seek from a bank. Are they wanting a purely transactional (functional) service or are they also wanting to have a relationship (symbolic) with their bank? Furthermore, the study explores whether the physical symbolism of a bank has any influence on the level of trust a consumer has in their bank.

The maintenance of consumer trust in the retail banking industry is of considerable importance (Bejou et al. 1998; Debling 1999; Lowe & Kuusisto 1999; Lynch 1991), as it can impact on the likelihood of retaining existing customers (Morgan & Hunt 1994) and attaining new ones. Furthermore, trust in a bank can also be more important to a bank customer than price (Debling 1999; Zineldin 1996). Alterations to the distribution mechanisms used for banking services have not only consumer trust and business implications, but also sociological and psychological significance. The study explores these issues whilst interpreting the overall marketing ramifications of operating in a deinstitutionalised financial services environment.

Deinstitutionalisation or the reduction or removal of the institutional stature (see sections 1.5.2 and 1.5.3 for classifications) of a bank are investigated with the underlying purpose to discover what influence this has on consumer perceptions of their bank.
With the growing use of the Internet as a tool for conducting commerce and banking transactions, issues of consumer trust (Hoffman & Novak 1997; Hoffman et al. 1999a, 1999b; Singh 2004) and social responsibility (Cousins 1995; Griffith 2000) of financial institutions become even more salient and pressing. The purpose of this study is to examine the impact of deinstitutionalisation on consumers’ perceptions of the trustworthiness of a retail bank or financial institution. The study compares the perceptions held by consumers regarding the trustworthiness of banks with perceptions of supplemental electronic banking facilities and banks with a focus on electronic banking.

This chapter sets out the background and aims for this thesis. Rationale, scope and the research framework are discussed and key terms are classified.

1.2 Aim of the Research
One of the main underlying aims of this study is to draw together linkages between consumer trust and the visible, physical existence of a business. This is contextualised by investigation of a postulated relationship between physical bank branches and consumer trust. Furthermore the relationship between institutional stature (Lowe & Kuusisto 1999) and consumer trust is thoroughly investigated.

This study aims to clarify the attitudes consumers have towards their own bank and also banks in general. The key consumer attitude investigated is trust and this is measured by a consumer survey. The study aims to uncover any differences in attitudes and beliefs based upon the type of bank with which the consumer has dealings and to determine whether bank branch proximity, consumer location (city, suburban, regional and rural), age and gender have any impact on the level of trust consumers have in banks.

1.3 Scope of the Study
The study concentrates primarily on retail banks within Australia. The retail banking market within Australia has some parallels and similarities to varying degrees with those in Canada, New Zealand, United Kingdom and the United States of America (Wallis et al. 1997; Worthington & Edwards 2000). However, the Australian retail bank market has some characteristics that make it unique. For
instance, the historical role and significance of the financial institutions and financial systems have a strong sense of community building and have had strong associations in rural towns (Singh 1991, 2004). Also, the banking competition structure in Australia is distinctive with four major banks dominating the market (four pillars) (Wallis et al. 1997). Australian Consumer and Competition Commission (ACCC) intervention means that consolidation of these banks is unlikely (IBISWorld 2005; Lewis & Wallace 1997; Wallis et al. 1997). The five biggest banks control approximately 80-85 percent of the market (IBISWorld 2005) with the remainder served by a large number of smaller regional banks and credit unions.

Furthermore, the Australian population has some unique distinguishing cultural characteristics which means that banks have a special importance. Many of these distinctive characteristics are explored and explained in chapters 4 and 5.

Although not the primary intention of this thesis, there are some findings that have ramifications for bank marketing worldwide. Also, many of the findings and outcomes of this research are valuable in delineating the roles of other social institutions and iconic organisations in the context of community in Australia. Conceivably, there are also similarities between other formal social institutions such as: churches, local governments, post offices, police and local hospitals and other less formal social institutions such as local pubs, general stores and local sporting clubs.

1.3.1 Geographic Scope
The geographic focus of this thesis is Australia, however much of the thesis centres on the state of Victoria particularly with regard to the consumer survey undertaken. It is important to acknowledge that although there are broad similarities across the six states and two territories of Australia, there are also some characteristics of Victoria that make it unique.

The population density of Victoria is greater than all of the other states. Figure 1 shows the population distribution for Australia, with most of the population shown in the eastern and south eastern mainland states (i.e. New South Wales,
Queensland and Victoria) mostly surrounding their capital cities (Sydney, Brisbane and Melbourne).

The population of Victoria is 4,972,800 (Australian Bureau of Statistics 2004a) with a population density of 21.8 persons per square kilometre, compared to the whole of Australia which has a population of 20,111,300 (Australian Bureau of Statistics 2004a) and a population density of 2.6 persons per square kilometre.

Much like the rest of Australia, Victoria is highly urbanised with the majority of its population living in its capital city Melbourne. Melbourne's population is 3,600,300 which accounts for 72.4 percent of Victoria’s population (Australian Bureau of Statistics 2004a). Figure 2 shows the key population centres on the map of Victoria.
Apart from Melbourne, Victoria has a number of key population centres; Geelong (major city) and Ballarat and Bendigo (inner regional cities). Bendigo is the home of Bendigo Bank and the Community Bank scheme (see section 1.5.4 for classification) which is reviewed in the preliminary study in Chapter 5. Table 1 presents a comparison of the remoteness of population for Australia and Victoria.

### Table 1  Comparison – Remoteness of Population

<table>
<thead>
<tr>
<th>Remoteness Area*</th>
<th>Australia (%)</th>
<th>Victoria (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Cities</td>
<td>66.3</td>
<td>73.5</td>
</tr>
<tr>
<td>Inner Regional</td>
<td>20.8</td>
<td>21.2</td>
</tr>
<tr>
<td>Outer Regional</td>
<td>10.3</td>
<td>5.2</td>
</tr>
<tr>
<td>Remote</td>
<td>1.7</td>
<td>0.1</td>
</tr>
<tr>
<td>Very Remote</td>
<td>0.9</td>
<td>-</td>
</tr>
</tbody>
</table>

* See Appendix B for description of population remoteness classifications

Source: Australian Bureau of Statistics 2004b
Overall, Victoria has a higher proportion of population located in major cities when compared to the rest of Australia and a lower proportion of remote and very remote population. Throughout this thesis the major cities category is generally referred to as *greater Melbourne*, when referring to major cities in Victoria. Inner and outer regional categories are generally collapsed into one category called regional (or *regional Victoria*) and remote and very remote categories are also grouped under regional Victoria because of its very low proportion in Victoria (0.1%) (Australian Bureau of Statistics 2004b). Appendix B includes a thorough description of the population remoteness classifications used.

It is important to acknowledge these population differences when looking at the overall results and recommendations of this study. Because of Victoria’s greater population density and low remoteness of population, some of the results are likely to be less profound than if the study been undertaken on the whole of Australia.

**1.3.2 Framework**

The thesis considers the features, patterns and trends of the retail banking environment in Australia from psychological, sociological and historical perspectives. This breadth of investigation enables a more wholistic understanding of the issues of the transition of retail banking to an electronic service form from a conventional face-to-face service form. It is postulated that these three main perspectives will have direct implications for the marketing and business activities of banks (Figure 3).

![Figure 3: Research Framework](image-url)
An overview of the three areas investigated is presented in the following three subsections with the marketing and business and marketing implications outlined in the fourth.

1.3.2.1 Psychological Perspective
The notion of trust has been thoroughly examined in psychological literature. The two foci of investigation of trust from a psychological perspective in this thesis are trust in physical and non-physical entities and also trusting relationships (or interpersonal trust) where there are power asymmetries. Issues surrounding the changes in consumer trust in banking entities are investigated by comparing levels of trust in the physical manifestation of the banks (physical branches) and the electronic and non-physical manifestations (including Internet and telephone banking, ATMs and EFTPOS). The thesis investigates the antecedents of trust in the bank-to-consumer relationship. It also explores whether individual consumers trust conventional bank branches and bank branch staff (physical entity) and whether that trust can be transferred to electronic banking and the bank brand overall (non-physical entity). Finally, it gauges whether consumers who regularly use conventional banking practices (see section 1.5.6.1 for classification) are more or less likely to trust their bank.

1.3.2.2 Sociological Perspective
The sociological concept of trust in a business setting is underdeveloped. A relative dearth of research and academic literature exists on the impact of trust on a business in a societal setting. This thesis examines in detail the role of the bank branch in Australian communities. Furthermore, the notion of a bank as an institution and its significance in individual communities are investigated. Also examined are the services banks provide to communities beyond their functional purpose and their relationships with individual consumers. The thesis also looks at the trust implications for the communities when conventional banking facilities are removed.

The sociological perspective also explores the concept of deinstitutionalisation and what it means for customer trust. Evidence of banks de-emphasising their institutional role in the community is explored and the relationship between this and the concept of consumer trust is analysed.
1.3.2.3 Historical Perspective
The evolution in the role that expectations and services offered by Australian retail banks play is the focus of this investigation. Much of the research undertaken in this area is based on secondary data, through the use of records available from the Reserve Bank of Australia (RBA), government reports and other academic literature. This is enhanced and further examined through a literature review. The literature review entails thorough review of academic literature (Chapter 4) and includes a news-print media analysis of reported contemporary banking trends in Australia (Chapter 5).

Looking at contemporary banking dynamics and relating them to the evolution of the retail finance sector provides the basis on which to deduce any patterns or similarities between current trends and those of the past. Current trends to be investigated include the postulated current trend of deinstitutionalisation.

1.3.2.4 Business and Marketing Implications
From the aforementioned three perspectives, the marketing implications are delineated and then focused on the banking industry as a whole. As stated earlier, much of the business literature up until now has merely translated the psychological research and theories, particularly interpersonal trust, to the business-to-consumer trust relationship. This study takes a broader view of trust and incorporates the potential sociological dimensions of trust in the business-to-consumer relationship, particularly in the complex relationship between bank and customer.

1.4 Research Questions
The five research questions for the thesis are as follows:

1. Are bank branches necessary antecedents of consumer trust in a retail banking entity?
2. What are consumers’ perceptions of the social roles of banks and bank branches?
3. Have consumers’ perceptions of the obligations of the bank evolved with the banks’ new technology?
4. Is institutional stature a determinant of consumers’ ability to trust the entire banking entity?

5. Does institutional stature affect consumers’ ability to trust banks in an electronic environment?

The rationale for these questions is presented in the hypotheses development chapter (Chapter 6).

1.5 Classification of Key Terms

The thesis uses a number of terms to describe various concepts and entities. These are described and classified in this section.

1.5.1 Community

The term community has a broad range of meanings. The two key meanings most relevant to this study are: “Common character; quality in common; commonness” and “A body of people organi[s]ed into a political, municipal, or social unity” (Oxford English Dictionary 1989, two of eleven meanings). The common character or quality in this case is that the people live in the same geographic location.

For the purpose of this thesis, community is used in geosocial terms. Community is treated as the group of people living in a geographic area such as a suburb or town (generally with a shopping or commercial area). In the data collection phase, the term community was replaced with “the suburb or town where you live” or “your local shopping area nearest your home” to try to eliminate confusion for survey respondents.

1.5.2 Institutional Stature

An institution is defined as:

An established law, custom, usage, practice, organi[s]ation, or other element in the political or social life of a people; a regulative principle or convention subservient to the needs of an organi[s]ed community or the general ends of civili[z]ation. (Oxford English Dictionary 1989)
In the context of this thesis the bank is an organisation that is seen as an institution (particularly in the past), which means that it is “subservient to the needs” (Oxford English Dictionary 1989) of the community (as classified in section 1.5.1). This notion is thoroughly explored in Chapter 4.

Institutional stature is therefore classified as the importance placed on banks by the community. “Banks serve fundamental needs both on an individual level and at a community level, which has sustained their institutional stature” (Lowe & Kuusisto 1999: 176). Banks gain institutional stature by catering to the needs of the community as a whole, not just the needs of individual customers and the imperative of corporate objectives.

### 1.5.3 Deinstitutionalisation

The Oxford English Dictionary (1989) has a number of definitions for the term deinstitutionalisation, the most relevant for this thesis is the “depriv[ation] of the qualities of an institution”. Galbraith (1975), Lowe and Kuusisto (1999) and North (1990) called this process “erosion of institutional stature”. This erosion of institutional stature is the focus of the study and explained further in Chapter 4.

### 1.5.4 Community Bank

A Community Bank is the basis of a scheme operated by Bendigo Bank in Australia. Bendigo Bank is a retail bank operating from Bendigo, a regional Victorian town (See Figure 2 for location). “The Community Bank branch is a franchise, with the community owning the rights to operate a Bendigo Bank branch” (Bendigo Bank 2005a). Community Bank branches are jointly owned by shareholders within the community in which the bank is located and Bendigo Bank. The term “Community Bank” is a registered trade mark of Bendigo Bank Limited (IP Australia 2005), therefore throughout the dissertation it is treated as a proper noun with appropriate capitalisation. The Community Bank concept is further explored in the preliminary study (Chapter 5).

### 1.5.5 Major Bank

“Major bank” is a generic term used to collectively describe the four largest banks in Australia: Australia and New Zealand Banking Group (ANZ), Commonwealth Bank of Australia (CBA), National Australia Bank (The National or NAB) and
Westpac. The four major banks in Australia are often referred to as the “four pillars” or the “big four”. 62.7 percent of Australian consumers considered a major bank to be their main financial institution in the mid 1990s (Wallis et al. 1997). Some publications speak of five major banks in Australia; these include the banks already cited and also St. George Bank (IBISWorld 2005). However for the purpose of this thesis, St. George Bank was not included in the major bank category as it is less prominent in the Victorian market.

1.5.6 Retail Banking

A broad definition of retail banking has been used in this study. Credit unions and building societies were included under the category “retail banks” as a considerable number of Australian consumers do not bank with a financial institution that can be formally classified as a bank. 9.0 percent of Australian consumers considered a credit union to be their main financial institution and 2.1 percent of consumers’ main financial institution was a building society in the mid 1990s (Wallis et al. 1997).

Retail banking, or consumer banking, includes all forms of banking undertaken by individuals for their own individual (or family) purposes. Small business, business and institutional banking are not considered to be within the realm of the retail banking market investigated in this study. Retail banking encompasses any type of banking relationship from mere transactional banking with savings or credit accounts, through to consumers who use their bank for mortgages and investment banking.

Two terms commonly used throughout this dissertation are “conventional banking” and “electronic banking” and these are both forms of retail banking. Bank customers can use conventional banking facilities or electronic banking facilities independently and solely or use both forms of banking. These terms are fully explained as follows:

1.5.6.1 Conventional Banking

Conventional banking is often called over-the-counter banking, because it is a term used to describe banking that occurs with the customer inside a bank branch. Conventional banking can be as basic as a deposit or withdrawal transaction
through to negotiating a bank loan or an account enquiry. All transactions conducted inside a bank branch are classed as conventional banking throughout the study.

1.5.6.2 Electronic Banking
The term electronic banking is used for banking that occurs outside of a bank branch or face-to-face meeting with a bank employee. The four types of electronic banking that are focused on in this thesis are ATM banking, EFTPOS banking, Internet banking and telephone banking. Again, this can be as basic as a deposit or withdrawal transaction through to negotiating a bank loan or making an account enquiry.

1.6 Outline of Chapters
The dissertation is composed of a total of ten chapters. Chapters 2 to 4 examine the literature related to this thesis. Chapter 2 looks at the concepts of trust and consumer trust from both psychological and sociological perspectives. It uncovers that most of the consumer trust literature has its roots in psychology, but finds it neglects the sociological dimensions of trust. Chapter 3 further builds upon the preceding chapter’s analysis of trust literature, but looks at the role of consumer trust specifically in the retail banking environment. It acknowledges the current and the relative dearth of literature centred on trust in a banking situation.

Chapter 4 examines the current state of Australian retail banking industry and also recent and historical trends. It explores the notion of banks being institutions. More specifically it looks at the broad trend of banks adopting technology based service delivery, and the consequences for consumer trust. It includes the historical social significance of banks in Australia on a macro level, and the significance of bank branches in communities on a micro level.

Chapter 5 presents a preliminary study using a news-print media analysis of articles reporting about Community Banks. This is used to counterpoint the general retail banking trends outlined in Chapter 4. The study puts forward a model and counter-model for the present marketing activities of both Community Banks and the major banks.
Based on the analyses presented in chapters 2, 3, 4 and 5, Chapter 6 summarises and draws together the existing body of knowledge and delineates the gaps. It also presents the conceptual framework and the twenty three hypotheses that are tested in the study. The methodological framework for the research is developed in Chapter 7 with key processes used outlined and justified. The research instrument (a mail-based consumer questionnaire) is explained. Initial research results and respondent profiles are also presented.

Chapter 8 presents the data from the consumer survey and the results of the hypothesis testing of the twenty three research hypotheses. The results are interpreted in the discussion chapter (Chapter 9). Finally conclusions are drawn in Chapter 10, with responses to the research questions and the recommendations for further research presented.
2 Literature Review

A Multiple Perspective Analysis of Consumer Trust

2.1 Overview

This literature review focuses on the concept of trust, and more specifically on consumer trust and its relevance in the Australian retail banking industry. The concept of trust is the fundamental concept that is discussed throughout this thesis. The “elusive notion of trust” (Gambetta 1988b: ix) is a difficult one to evaluate due to the complexity of the concept. Trust has psychological, sociological, ethical, political and historical dimensions and implications. Moreover it has important business and marketing implications. This is particularly evident when the concept of trust is related to the retail banking market. In this case it is postulated that the bank-to-consumer relationship is more substantial when compared to that of a conventional business-to-consumer relationship (e.g. retailers or other service providers). It is proposed that the trust relationship between consumer and banking business is more akin to the relationship between individuals and other institutions, such as government, law, church or religion.

The complexity of the concept of trust has resulted in a vast amount of literature and research into the concept from various disciplines. This review of previous
studies analyses the concept of trust in broad terms from both psychological and sociological perspectives. It is deemed necessary to take such a broad approach to literature analysis to further pinpoint the most appropriate conceptualisations of trust relevant to retail bank-to-consumer relationships. General trust conceptualisations are then focused down to a discussion of conceptualisations of trust in the business context (see Figure 4 for a graphical depiction). The conceptualisations of trust in the business context discussed are largely from a marketing base.

![Figure 4 Framework of Literature Review](image)

The fundamental concept of trust is first of all examined from psychological and sociological perspectives. This literature in many cases provides a foundation to contemporary business marketing literature (e.g. Cowles 1997; Grabner-Kraeuter 2002; Kramer 1999; McAllister 1995; Morgan and Hunt 1994). Much of this literature is used to explain interpersonal cooperation inside an organisation or conversely business-to-business relationships, rather than external business-to-consumer relationships. However, this literature has been rigorously researched providing a sound foundation for business research and literature to build upon. Much of the psychological literature is based upon interpersonal trust relationships and trust as a generalised expectancy. These conceptualisations are examined and discussed throughout this chapter. In contrast, the sociological
literature reviewed focuses on communal trust and social capital, and of particular interest to this thesis, trust in institutions. The latter conceptualisation is further developed and investigated in Chapter 4 and provides the cornerstone to this thesis. Revision of both psychological and sociological perspectives, and relevant bodies of literature, facilitate an understanding of the foundation of much of the marketing literature. Furthermore, parallels between literature from all three disciplines (Psychology, Sociology and Marketing) highlight their strong synergies. However, in some areas of sociological research, particularly in terms of institutional-based trust, have been to this date largely neglected by the researchers from the marketing discipline. These will be drawn out from the literature reviewed.

Neither scholars nor practitioners agree on a single model or definition of trust that applies to all marketing contexts (Cowles 1997; Grabner-Kraeuter 2002) either in business-to-business or business-to-consumer relationships. To date, there is no defining evidence that trust is an important concept in these relationships (Cowles 1997). However considering the vast body of research into trust in interpersonal relationships (e.g. Duck 1991, 1992; Gambetta 1988a; Omodei & McLennan 2000; Rempel, Holmes & Zanna 1985; Rotter 1967, 1971), it is probable that trust would have a role in business relationships generally. This is because, similar to interpersonal relationships, business-to-consumer relationships have elements of uncertainty (Grabner-Kraeuter 2002) where trust could potentially reduce perceived risk (Grabner-Kraeuter 2002; Luhmann 1988).

The lack of conclusive evidence of consumer trust is partly due to the difficulty in measuring such an abstract and arbitrary concept. Notwithstanding this, there is currently a broadening stream of academic research into consumer trust and its marketing implications. This literature will be reviewed throughout this chapter.

2.2 Trust – A Psychological Perspective

In a psychological sense, there are two main conceptualisations of trust:
• Trust that “entails a state of perceived vulnerability or risk that is derived from individuals’ uncertainty regarding the motives, intentions, and prospective actions of others on whom they depend” (Kramer 1999: 571); and,
• Trust as a generalised attitude or generalised expectancy about other people and the social systems in which they are embedded (Kramer 1999; Luhmann 1988; Rotter 1967, 1971).

These form the basis of a significant proportion of psychological theory related to the concept of trust (Kramer 1999). Both conceptualisations of trust have been thoroughly investigated in psychological literature. However there is debate in some circles of academe about whether both terms can appropriately claim to be forms of trust. Many researchers, particularly from a sociological background, believe that trust is a rational choice and that the concept of a generalised form of trust is inherently irrational. Fukuyama (1995) spoke of trust beyond being rational or irrational; he proposed that trust is a construct which is “arational” (p.36). Although trust can have rational elements, Fukuyama (1995) proposed that trust could have arational elements, and this type of trust could be tied to habits or trust decisions which are made without consciously thinking about them. He further tied the notion of trust as an arational act to his explorations of social capital (Fukuyama 1992, 1995) (a concept further explored later in section 2.3). Much of Fukuyama’s trust research is rooted in conceptual and interpretive approaches related to broad social and cultural changes, rather than empirical research.

In most cases, the literature analysed has a conceptual basis, however in many cases this is supplemented with literature based on empirical studies. An examination of the literature pertaining to trust as both a generalised expectancy and as a rational choice is undertaken in sections 2.2.1 and 2.2.2 respectively.

2.2.1 Trust as a Generalised Expectancy

Giffin (1967), Luhmann (1988) and Rotter (1967, 1971) were strong proponents of a generalised expectancy construct of trust. According to Giffin (1967), trust is the “reliance upon the characteristic of an object, or the occurrence of an event, or the behavior[ur] of a person in order to achieve a desired but uncertain objective in a risky situation” (p.105). Rotter concurred, describing interpersonal trust as “an
expectancy held by an individual or a group that the word, promise, verbal, or written statement of another individual or group can be relied upon” (Rotter 1967: 651; 1970: 444). In addition to this broad definition, Giffin (1967) described the behaviour of a trusting person as having the following six elements:

1. A person is relying upon something.
2. This something relied upon may be an object, an event, or a person.
3. Something is risked by the trusting person.
4. The trusting person hopes to achieve some goal by taking this risk.
5. The desired goal is not perceived as certain.
6. The trusting person has some degree of confidence in the object of his trust.

(Giffin 1967: 104)

Giffin’s (1967) model of trusting behaviour has become both formally and informally the de facto method of describing trust in business and marketing contexts. This is evident in that much of the business literature either refers directly to Giffin’s (1967) model, or cites similar, but generic, determinants for trusting behaviour. For example, Cowles (1997) described trusting behaviour occurring when a person relies on another, risking something of value to achieve a desired goal. Other marketing literature (Cowles 1997; Morgan & Hunt 1994; Moorman et al. 1992; Warrington et al. 2000) have referred also to either Giffin’s (1967) or Rotter’s (1967) models for generalised expectancy trust.

The generalised expectancy model is similar to confidence, a concept alluded to by Sztompka (1999). “Confidence can be described as an emotion of assumed expectation” (Sztompka 1999: 24). Although Sztompka’s definition reflects a situation of greater certainty than that prescribed by Rotter (1967) and Giffin (1967), the generalised expectancy model to an extent does not, nor does it need to take into account whether the environment is certain. In the generalised expectancy trust scenario, the trustor, rightly or wrongly, expects that trustee can be trusted. In this case, certainty is assumed by the trustor, rather it being a situation of actual certainty. This is reflected in Giffin’s use of the word “confidence” in the sixth element of a trusting person. Fenton (2000) agreed “Confidence is the state you enter into when you assume your expectations will be
met” (p.155); however, if there are uncertain expectations, it is impossible to predict your future needs and “you must enter into a relationship of trust.” (p.155)

A problem with this model of trust is that it cannot, nor is it designed to, take into account situations where the potential trustor makes a conscious or calculated decision on whether to trust. Generalised expectancy trust could be construed as a benign or naïve trust in that it does not necessarily mean that the trustor has thoroughly evaluated the situation. This problem is acknowledged by Burkert (1999) and Giffin (1967) where they graded trust on a scale of level of certainty. “Toward the zero side of the scale we approach the area of blind trust; on the plus side of the scale we are approaching the borderline to certainty” (Burkert 1999: 27). This scale with a polarity from blind trust to borderline certainty pushes the boundary and to an extent blurs the distinction between both trust as a generalised expectancy and trust as a rational choice. Blind trust, by nature, suggests very little or perhaps poor evaluation of a situation at a rational level. However, being able to assess a situation to be of borderline certainty must in some way involve a level of rational evaluation or risk assessment. This is incongruent with the classical conception of trust as a generalised expectancy, which implies a much less systematic or rigorous evaluation of a situation when a person chooses to trust or not to trust.

2.2.2 Trust as a Rational Choice

Hardin (1991) disagreed with the concept of generalised expectancy trust; “My trust of you must be grounded in expectations that are particular to you, not merely in generalized expectations. If I always trust everyone, then I do not meaningfully trust anyone” (Hardin 1991: 186). Hardin (1991, 1993) argued that trust is a rational act that occurs after a calculation of the potential losses and gains of trusting is performed, with the level of risk assessed. Hardin’s research and writing supported Coleman’s (1990) model. Coleman, a sociologist, proposed that trust “is nothing more or less than the considerations a rational actor applies in deciding to place a bet” (1990, p.99). Hardin (1991) concurred that trust is “inherently a rational or intentional commitment or judgement” (p.186).

Coleman’s (1990) model (see Figure 5) is a formula whereby the decision to grant trust comes from a calculation involving p (the probability that the trustee is
trustworthy, L (the potential loss if the trustee is untrustworthy) and G (the potential gain if the trustee is trustworthy). The quotient of the potential loss and potential gain provides an estimation of the potential risk of the trustee. “Trust will occur if the gain is worth the risk” (Ruscio 1999: 644).

\[ \frac{p}{1-p} > \frac{L}{G} \]

**Figure 5** Trust Expectancy Model
Source: Coleman 1990

Ruscio (1999) counterpointed Coleman (1990) and Hardin (1991, 1993) by stating that if trust were merely a way of counteracting calculated risk, then “If we had everything we wanted or needed, we would have little reason to trust anyone because no payoff would be worth the risk of loss from a violated trust” (p. 644). Giffin (1967: 104) agreed, contending that trust “… involve[s] more than predictability, although expectation is involved. This provides further credence to the assertions of Kramer (1999) that there are two main types of trust. Ruscio (1999) concurred with the two similar categories of trust, but for a political context and named them as “the rational, [similar to Coleman (1990) and Hardin (1991, 1993)] which draws on strategies and games of political actors, and the nonrational, which explains trust in normative terms of virtuous conduct and shared values” (p. 641).

Ruscio (1999) defined trust as “merely another strategy to achieve one’s interests. It springs not from duty or obligations to others but from a calculation that it is in one’s personal interest to trust others” (p.645). This statement affirms the rational choice trust model by stating that trust is merely a device used by the potential trustors to achieve an outcome that is most beneficial to them. However, the rational choice approach to trust only provides a rather formulistic approach for which it is thought that individuals decide whether or not to trust another individual or entity. This model has been criticised for its postulation that decisions about trust are “products of conscious calculation and internally consistent value systems” (Kramer 1999: 573), and moreover such conceptualisations afford too little role to emotional and social influences on trust decisions (Kramer 1999; Granovetter 1985).
In a marketing context, this conceptualisation of trust may have some validity in a transactional basis, especially in terms of efficiency (Zucker 1986). This form of trust calculation may in the short term be satisfactory, but in the long term a more meaningful trust relationship between consumer and business may be of greater advantage. However, Bloor (1997) stated that “[t]rust can begin to emerge on the basis of successful exchanges not themselves based on trust. A history of such small, low-risk acts of successful co-operation can then provide the basis for larger, longer-term, co-operative enterprises” (p.116). The development of trust over time through a number of exchanges relates well to the notion of business dealings. In most circumstances consumers have distinct transactions or exchanges with a business entity. Each of these transactions is separate from others, and the consumers can decide whether or not to transact again on the basis of their previous experiences and perceptions of the business. These separate transactions to an extent influence consumers’ expectations of future experiences with a business (Parasuraman et al. 1991b) and potentially the levels of trust they are willing to imbue upon them (Ambler 1997; Urban et al. 2000).

“Trust is not only a means of negotiating risk, it implies risk (by definition, if it is a means of negotiating that which is unknown)” (Seligman 1999: 19). Moreover, there is an inherent paradox in this form of rational choice trust, whereby trust is purely a means to negotiate trust risk, whilst concurrently trusting by nature is risky behaviour. Hardin (1993) argued that there is no risk in trusting, “I do not calculate the risk and then additionally decide to trust you, my estimation of the risk is my degree of trust in you” (p.517).

In some ways both the generalised expectancy and rational choice constructs of trust discussed have parallels. Both conceive of trust as occurring in situations of uncertainty or risk, the first conceptualisation being a calculative trust and the latter being a more generalised state.

2.2.3 A Multidimensional Psychological State
Although there is an abundance of literature which confirms each of these two main conceptualisations of trust from psychological perspectives, other researchers contend that trust needs to be conceived as a more complex
“multidimensional psychological state” (Kramer 1999: 571). This suggests the need for the trust construct to be measured from multiple perspectives.

Paralleling much of the psychological literature, Fenton (2000), Metlay (1999) and Zucker (1986) break down trust into three main types:

1. **Characteristic-based trust**, which is tied to a person’s social or cultural background;
2. **Process-based trust**, which is tied to past or present exchanges (for example, reputation);
3. **Institutional-based trust**, tied to forms of certification or legal constraint.

(Fenton 2000; Metlay 1999; Zucker 1986)

At the outset these three types of trust appear to be different from the rational choice and generalised expectancy trust constructs. However, characteristic-based trust has parallels to generalised expectancy trust, and process-based trust has parallels to rational choice trust. Characteristic-based trust, although similar to generalised expectancy trust, is linked to a person’s social or cultural background. This has overtones of Fukuyama’s (1995) assertions about social capital and trust, which can be dependent on the society in which they inhabit. He cited that Japan and the United States of America were examples of relatively high-trust societies.

Process-based trust, which is linked to past or present exchanges and to reputation, can be translated to a business-to-consumer context. This is particularly relevant to longer term relationships. The third type of trust identified is institutional-based trust. This type of trust best encapsulates the main conceptualisation of trust investigated in this thesis. Institutional-based trust covers trust in terms of certification and legal constraint, but as further discussed in Chapter 4, this type of trust also includes other embodiments of institutions, including communal and social identification (Fenton 2000; Metlay 1999; Pavlou & Gefen 2004; Shapiro 1987; Walczuch & Lundgren 2004; Zucker 1986)

Kumar and Paddison (2000) agreed with McAllister’s (1995) contention that there are two distinct forms of trust. They are:
• **Cognition-based trust**, which is characterised by competence, responsibility, reliability, dependability. This form of trust is based on “the available knowledge and ‘good reasons’” (Kumar & Paddison 2000: 209).

• **Affect-based trust**, which is largely a result of emotional bonds and is formed on the basis of “emotional investment” (Kumar & Paddison 2000: 209).

These two trust dimensions accord with Lewis and Weigert’s (1985) assertions that trust has both cognitive and affective foundations in interpersonal relationships (in a sociological context). These two conceptualisations of trust were translated to inter-organisational relationships, specifically in a joint venture / partnership situation by Kumar and Paddison (2000), and into interpersonal co-operation inside organisations by McAllister (1995). Cognition-based trust is resultant of the trustors making a choice on what they take to be “good reasons” (Lewis and Weigert 1986: 970), constituting evidence of trustworthiness. “Given total knowledge, there is no need to trust, and given total ignorance, there is no basis upon which to rationally trust” (McAllister 1995: 26). This dimension of trust is not dissimilar to that of trust as a rational choice (See section 2.2.2). However, this dimension of trust is based upon attributes of the potential trustee, such as predictability, reliability, dependability and faith (McAllister 1995; Norris & Zweigenhaft 1999; Rempel et al. 1985; Zucker 1986) whereas the rational choice approach is based upon a calculation of the potential losses or gains of the trust relationship. According to McAllister (1995), this judgement can be made on past experiences. The second dimension of trust, affect-based trust, is mainly based on emotional bonds between the potential trustor and trustee (Kumar & Paddison 2000; Lewis & Weigert 1985; McAllister 1995).

These two foundations of trust could potentially be translated to a business-to-consumer relationship. Conceivably, trust as a multidimensional psychological state where rational and irrational elements and processes are undertaken both consciously and subconsciously by individuals when determining the levels of trust they are willing to imbue is relevant in a banking context. This is particularly important when discussed within the context of this thesis, where the potential trustee is a bank, a hyper-complex entity, which has both human and non-human elements, physical and non-physical symbolism and visible and non-visible
systems and elements associated with it. Literature which explores these themes from a sociological perspective is analysed next.

2.3 Trust – A Sociological Perspective

The investigation of the psychological dimensions of trust is largely focused on individualistic interpretations of the term. Within the frame of reference in this thesis, it is also important to examine more wholistic interpretations of trust. Trust in institutions and institutional stature is an important element of this thesis. In determining what it means to be an institution, it becomes evident that the sociological significance of the term ‘trust’ also needs to be explored. Much of the literature examined in this field of research either parallels or overlaps that undertaken in the psychological fields of research.

Both preceding it and concurrently with contemporary research into consumer trust, there has been a long history of research into the sociological aspects of trust. Significant research into trust, especially with regard to trust and its relationship to society and society’s institutions, has been undertaken by such researchers as Cooley (1964), Eisenstadt (1968, 1995), Hughes (1936), Luhmann (1979, 1988), Parsons (1951) and Selznick (1957). Much this work has at its foundation the writings of pre-eminent sociologists including Durkheim (1978) and Weber (1947). Other more recent research and literature of note in this area includes that by Fukuyama (1992, 1995), Giddens (1991), Misztal 1996; Putnam et al. (1993), Putnam (2000), Seligman (1997, 1999) and Sztompka (1999).

Much of the more recent literature has delved into areas of trust and social capital. “Social Capital is a capability that arises from the prevalence of trust in a society or in certain parts of it” (Fukuyama 1995: 26). It is “created and transmitted through cultural mechanisms like religion, tradition, or historical habit” (Fukuyama 1995: 26). Putnam et al. (1993) and later Alston (2000) described social capital as the norms and networks at community level that create trust. Social capital has become a widely used term in the social sciences and to an extent in business. It has particular relevance to this thesis in that community level trust is proposed to play an important role in defining the function of a bank branch at an individual community level. This concept of social capital is likely to
have implications for the trust relationships between communities and their bank branch/branches. Much of the notion of social capital is embedded in terms about traditions and institutions in societies, particularly the human and social interactions between societal members, and furthermore how these reflect the societies’ institutions.

There has been a renewed interest in the concept of trust in a sociological context with the pioneering and innovative work of Robert Putnam and his associates (e.g. Putnam et al. 1993; Putnam 2000). The oft-quoted book, Making Democracy Work: Civic Traditions in Modern Italy by Putnam, Leonardi and Nanetti (1993), provided insights into community based trust and investigated the concept of social capital in depth. Likewise Francis Fukuyama (1992, 1995) provided comprehensive exploration of both trust and social capital. Rotter (1971) alluded to the notion of social capital in all “day-to-day” living and actions; “The more complex the society, the greater the dependence on other. If trust weakens, the social order collapses” (p.443).

In more recent research pertaining to Australian communities, the notion of social capital has also been applied. Alston (2000) noted that “The concept of social capital has gained prominence world-wide as a way of empowering local communities in the face of globalisation.” (p.8). Furthermore, the existence of social capital has also been alluded to with regard to the withdrawal of banking services in small and rural communities in a number of Australian state government publications including Hawker et al. (1999) and Jarred (2001).

Although there has been literature and discourse about social capital, to date this has largely been conceptual arguments rather than based on the findings of empirical testing or research. For instance, Putnam (2000) cited various government statistics, which supposedly verified the existence of, and in many instances the decline and revival of, social capital in United States’ communities. The statistics cited provided a rich picture of the social state and trends of communities in the United States of America over considerable timeframes and included statistics of the indicators of civic engagement, changes in the welfare system, crime rates, volunteer rates, participation in religion and other broad social trends. The statistics by and large supported the existence of the notion of
social trust or social capital, however none of the statistics provided were actually measurements, or indeed confirmed the existence, of social capital. As stated earlier, this can largely be attributed to difficulty in measuring such a complex and abstract concept and also the relative dearth of benchmarked measurement frameworks and tools.

The lack of empirical data in Putnam (2000) reflects a general lack of conclusive evidence on social capital in wider sociological and general academic literature. However, conceptual argument and discourse in academic literature is abundant, with most of the literature reviewed arguing the existence of social capital or broad social trust in some form. While it is difficult to identify the actual attributes of social capital, the literature in the main agrees on one point that, while it is relatively easy “enact policies that have the effect of depleting social capital”, it more difficult “understanding how to build it up again” (Fukuyama 1995: 11). This has parallels with that of the general trust literature (both psychology and marketing) that it’s a lot easier to destroy a trust relationship that it is to build one.

Social capital, when applied to the relationship between banks (and bank branches) and communities, may be a critical factor in building trust between consumers and banks. This notion along with the psychological aspects of trust relationships is investigated in the review of relevant marketing and business literature in the Chapter 4.

2.4 Trust – Marketing Implications

Much of the business and marketing literature on the concept of consumer trust has its roots in psychological literature and, to a lesser extent, sociological literature. Academic literature on trust in a marketing context is largely based upon research in distribution channel dyads and business-to-business relationships (e.g. Doney & Cannon 1997; Ganesan 1994; Kumar et al. 1995; Mohr & Nevin 1990; Schurr & Ozanne 1985). To a lesser extent there is literature on “consumer trust” in a business-to-consumer relationship (e.g. Grabner-Kraeuter 2002; Mitchell 1998; Morgan & Hunt 1994).
There are similarities in the relationships between retail buyers and their vendors, and retailers and their customer/consumers. However, the business-to-consumer trust relationship can be further complicated by the likelihood of perceived dependence, power and information asymmetries (Anderson & Weitz 1989; Ganesan 1994; Kumar et al. 1995). Regardless, the parallels between both types of relationship are significant enough to warrant cross-examination. More recent marketing literature has examined trust in business-to-consumer relationships, often with the literature from a business-to-business and channel-relationship focus discussed, analysed and critiqued alongside. This “borrowing” of existing ideas and concepts from other disciplines is widespread in consumer trust literature, and is embodied in the widespread referencing of psychological literature, with examples of this included in section 2.5.

2.5 Consumer Trust
Francis Fukuyama (1995) described trust as a sense of reciprocal obligation and “the shared norms of ethical behaviour between network members” (p.195). Likewise, Plank, Reid and Pullins (1999) defined trust in a business-to-business context succinctly as “[b]elief on the part of the trusting person that obligations are fulfilled” (p.61). However, in a more general business-to-consumer relationship, Kotler et al. (1994) described trustworthiness as “how objective and honest the source appears to be” (p.447). A more elementary definition of trust is given by Gummesson (2002) and can be directly applied to commercial transactions. “The supplier gives promises to the customer. The customer reciprocates by promising to pay. Promises create expectations which must be met for the relationship to sustain; it is a part of business ethics which makes both parties trust one another” (Gummesson 2002: 30). This is subsequently confirmed by Moorman et al. (1992) “Trust is the willingness to rely on an exchange partner in whom one has confidence” (p.315). Morgan and Hunt (1994) took this one step further. In their study they compiled a list of the attributes of a trustworthy party; “reliable, high integrity, consistent, competent, honest, fair, responsible, helpful and benevolent” (p.23). These were largely based on attributes compiled by Rotter (1971) (see section 2.2.1) for interpersonal trust.
Cowles (1997: 274) defines trust or trusting behaviour in business-to-consumer relationships as occurring when a person:

1. relies on another;
2. risks something of value; and
3. attempts to achieve a desired goal.

Again, this definition has its roots in Giffin’s (1967) and Rotter’s (1967) definition of interpersonal trust (See section 2.2.1). Trust is the “reliance upon the characteristics of an object, or the occurrence of an event, or the behaviour of a person in order to achieve a desired but uncertain objective in a risky situation” (Giffin 1967: 105). Similar to Cowles (1997), three conditions of trusting behaviour have also been widely referred in marketing literature.

Cowles (1997) emphasised the role of past experience and other cognitive factors in the development of a “cognitive state of trust” (p.278) between a customer and a business. This is an important distinction because it suggests that trust in a business-to-consumer context is more than a rational calculation of risk, but rather takes into account a number of external/other factors. This is consistent with the multidimensional trust construct presented in section 2.2.3, where attributes of trustworthiness were evident in terms of predictability, reliability, dependability and faith (McAllister 1995; Norris & Zweigenhaft 1999; Rempel, Holmes & Zanna 1985; Zucker 1986). Figure 6 shows how past-experience is emphasised in Cowles’ (1997) model, where it in combination with other factors influences consumer memory, which can antecede consumer trust.
This model provides a commonsense and rudimentary illustration of how cognitive state of consumer trust can occur. However, it should be noted that much of Cowles’s work is based upon past research drawn from economics and communications literature, rather than that of primary empirical data directly connected to business-to-consumer relationships. Similarly, much of the aforementioned literature is based largely upon that of psychology literature focused on interpersonal relationships. Despite the inherent similarities between consumer trust and interpersonal trust, there are also significant points of difference. In the business-to-consumer relationship, the consumer may trust a number of different components of a business (Hardin 1991; Sztompka 1999). The components could include individuals employed by the business, or the business’ product, the brand, the systems involved in production of the product, or combinations of components of the business. When one says “I trust my bank”, one in fact refers to the humanly created systems and indirectly one trusts the operators and management whose ingenuity, expertise and labour are somehow encrypted into the bank (Hardin 1991; Sztompka 1999). This results in the consumer trust relationship with a business being rather complex, encompassing human and non-human components, and tangible and intangible elements of a business.
Houston (2001) conceived trust as being able to be categorised into three groups:

1. **Calculativeness**: assessing how incentives affect another person behaviour;
2. **Empathetic trust**: merging one’s values with another party’s or subordinating them to the other’s values; and,
3. **Knowledge-based trust**: using our personal collections or other reliable information to help understand or a person’s (or group’s) competencies, preferences and moral habits.

(Houston 2001: 39)

Williamson (1993) and Cowles (1997) contended that Calculative Trust (similar to trust as a rational choice, see section 2.2.2) should not qualify as measure of trust between consumer and organisation, because it means that consumers are able to make a rational calculation of risk. This type of calculative trust is sometimes expressed as confidence. The latter two conceptualisations of trust from Houston (2001) are more closely aligned with that of the affect based and cognitive based trust proposed by Kumar and Paddison (2000) and McAllister (1995) for interpersonal relationships. Overall, much of the seminal literature based on marketing relationships also contends that the cognitive and affect-based types are more applicable in gauging a consumer’s level of trust.

Trust is generally understood as “a leap of faith” (Kumar 1996: 95; Kumar & Paddison 2000: 208; McAllister 1995: 26) whereby stakeholders in channel relationships consider the impact of transacting with a channel member. This is a particularly important concept when looking at distribution channel relationships and has overtones of the rational choice trust model. This relates largely to a transactional form of trust, whereby trust is considered a conduit to a relationship, long-term or otherwise. Whereas trust relationships can be ongoing, the levels of trust imbued by channel partners can be influenced over a long term relationship, with each transaction potentially impacting on the levels of trust between channel members/partners. This is where the multi-dimensional model of trust proposed by many psychology academics can be useful. It sees trust as more than a means for a hassle-free transaction and as a more complex and all-encompassing construct.
The concept of a relationship cannot be seen purely as the sum total of goodwill obtained over a number of positive or negative transactions between two entities, or related to the past experiences. Trust is a concept that is more complex. Trust involves the consumer or potential trustor evaluating past experiences, but also involves a number of outside informational influences. These influences can include the consumer’s peers. Trust can be inherited on the premise of a positive history in relationships with other consumers (Doney & Cannon 1997; Ganesan 1994). Positive word-of-mouth from the consumer’s peers is important due to the information being regarded by the receiver as genuine and from a respected source. “Friends are more trusted than salespeople” (Kotler et al.1994: 448). Anderson and Weitz (1989) shared these views, asserting that trust is transferable between customers.

Entwined with the notion of trust transferral is the concept of reputation. Reputation has already been examined from a psychological standpoint with it relationship to trust (e.g. Morgan & Hunt 1994; Rotter 1971). Reputation is tied to process based trust, and is also a vital determinant of the trustworthiness of the bank by customers. “The bank’s trustworthiness is raised by each credible depositor” (Sztompka 1999: 104). Other research and literature on banks concurs with that of Sztompka (1999). Bejou, Ennew and Palmer (1998) listed reputation as one of the determinants of relationship satisfaction, alongside trust, customer orientation, length of relationship, expertise and ethics. In practice, many of these attributes are interrelated, with many of these attributes antecedents of each other. Regardless of this, these outside influences have only limited effectiveness, if the goods and services do not regularly meet the consumer’s expectations and the consumer’s trust is breeched.

2.5.1 Trust and Buyer-Seller Interdependence
Kumar, Scheer and Steenkamp (1995) as well as Buchanan (1992) asserted that high mutual dependence enhances performance. In addition, Anderson and Weitz (1989) offered evidence that channel relationships characterised by power asymmetry generate lower trust and continuity than those characterised by symmetry. These results were based on the relationship between car dealers and their respective suppliers (business-to-business). Kumar, Scheer and Steenkamp’s
(1995) results indicated that “both decreasing asymmetry and increasing total interdependence have positive effects on relationship quality” (p.352) and furthermore this greater interdependence can result in higher levels of trust (Kumar et al. 1995). These are reiterated by Ganesan (1994) who stated, “A [consumer] who perceives inequality in a relationship due to poor outcomes will be dissatisfied and likely to view the vendor as untrustworthy and exploitative” (p.5). However, Ganesan (1994) qualified this statement by saying that the customer “could continue such a relationship, [but] there is likely to be a reduced level of trust to the vendor” (p.5). These issues of disproportionate relationships can be readily translated to bank-to-consumer relationship, especially when the consumers believe that the bank is less dependent on them than they are of it.

Kumar et al. also noted that, “[h]ighly interdependent relationships are more likely to endure and be the basis of sustainable competitive advantage, even if some of the asymmetry persists” (1995: 354). This could potentially be an important issue for a bank-to-consumer relationship where there is often seen to be power asymmetry. Banks are commonly considered as monoliths (Lynch 1995) by customers and the broader community, with the bank appearing to be (and likely to be) the power broker in the relationship with regard to consumer banking. Furthermore, this relative power asymmetry in favour of the bank may be due in part to the structure of the banking system in Australia, which has been credited to having less intense competition in consumer banking (Cousins 1995). Regardless of there being perceived or actual power asymmetry between Australian consumers and Australian banks, it is an important for banks to overcome consumer perception to have a chance of building trust relationships with potential and existing customers.

This leads to the question, what is the purpose of a business, particularly banks, trying gain the trust of potential and existing customers, or at least a business wanting to appear to be trustworthy to potential and existing customers? The value of trust as a business attribute however has been difficult for a business to assess.
2.6 Summary

To this point the relevant literature examining the concept of trust from psychological and sociological perspectives has been presented. These were linked to the current body of business literature based on business-to-consumer trust. Chapter 3 will present the present body of knowledge in the marketing discipline and highlight present gaps in the literature.
3

Literature Review

Consumer Trust and its Role in the Retail Banking Industry

3.1 Overview

The last chapter presented an overview of the current psychological, sociological and business research into trust. This chapter extends on this research base, presenting the current literature examining consumer trust from a marketing perspective, and reviewing current literature on consumer trust. The focus of this chapter is on literature pertaining to consumer trust and banks, and the uniqueness of the relationship between bank and customer. Moreover, the relative dearth of literature pertaining to the consumer trust relationship with banks is acknowledged and other gaps in the literature pinpointed.

3.2 The Importance of Consumer Trust

As stated in the previous chapter, hitherto there is no conclusive evidence or research to support a strong correlation between consumer trust in a business and the profitability of a business. A primary reason for this is the difficulty in measuring the consumer trust construct and, even if a trust relationship could be identified and measured, it would be difficult to attribute and measure the costs and benefits of such a relationship to consumer trust. Marketing literature has
been grappling with this conundrum, and largely the discourse has centred on
c cssional arguments on the merits of building trust based relationships with
customers. Although the benefits from a business building trust are generally
unmeasurable, a number of advantages have been discussed.

Trust is important on a number of levels, and the recurring theme of the literature
is that a greater level of trust between the customer and supplier can result in a
closer symmetry in goals in the longer term, and ultimately a more mutually
collaboration between customer and supplier is often credited to trust” (p.23).
This closer association is seen as important because customers are often in a
situation of being unsure of the full motives of the company they are dealing with
and may be unable to logically predict with a high degree of certainty what
outcome is likely from a transaction or sequence of transactions. “Often we only
know partially what we are buying – we do it on trust” (Gummesson 2002: 16).

This is particularly salient when a customer is dealing with a bank primarily
through an electronic interface, because of the lack of tangibility of the interface,
which further inflates the intangibility of the bank’s service offerings. (See section
3.5.1 for further analysis of issues surrounding tangibility and physical evidence).
Furthermore, there is greater difficulty in bank customers being able to answer
their questions satisfactorily in a self-service electronic environment (Parker &
Clulow 2003). “Ignorance creates uncertainty” (Gummesson 2002: 16), and this
uncertainty presents both a threat for the customer and an opportunity for the
bank. The uncertainty means the customer has to rely more on the retailer (or
other service provider) out of necessity, and concurrently the bank must make
themselves accessible to the customer (Gummesson 2002). This leads to a higher
rapport between both parties, “[h]ighly interdependent relationships are more
likely to endure and be the basis of sustainable competitive advantage, even if
some of the asymmetry persists” (Kumar et al. 1995: 354).

Gummesson (2002) stated that trust is formed through a series of promises. “The
supplier promises to the customer and the customer promises to pay the supplier,
this leads to expectations, which, if met or exceeded, are the foundations of trust”
marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by mutual exchange and fulfilment of promises” (p.138).

This conflicts slightly with the results found by Ganesan (1994), that there was no correlation between satisfaction with past outcomes and trust. Conversely, Ambler (1997) stated “Trust builds slowly if customers are fully satisfied” (p.90). No studies have been found that show that there is a relationship between customer satisfaction and trust. However none of the research doubted a possible indirect link, which is evident in the relationship between trust and integrity (Blau 1964; Metlay 1999; Moorman et al.1992; Rotter 1967), of which consistency, reliability and relative satisfaction are precursors or incidental to the latter (Moorman et al. 1992). There was a general consensus in the literature that, although customer satisfaction over a number of transactions may not always lead to a relationship of trust, it will certainly improve the likelihood of trust occurring. This is consistent with the findings of Kumar and Paddison (2000), where they found that trust could be partly attributed to dependability and reliability of the trustee (see section 2.5).

A consumer’s trust in a vendor affects the long-term orientation of a consumer in three ways:

- It reduces the perception of risk associated with opportunistic behaviours by the vendor.
- It increases the confidence of the customer that short-term inequities will be resolved over a long period.
- It reduces the transaction costs in an exchange relationship.

(Ganesan 1994)

As noted earlier, Ganesan’s (1994) statements were based in a business-to-business context, however they translate well into the business-to-consumer context. For instance Doney and Canon (1997) concurred with Ganesan’s (1994) first point, “Even if opportunities do exist, any short-term gains from untrustworthy behaviou[r] can be balanced against the rewards for maintaining a good reputation” (p.38). Morgan and Hunt (1994) also agreed as their testing of
opportunistic behaviour against trust provided results which showed a negative relationship.

Mohr and Nevin (1990) discussed the importance of trust from another perspective. “One can use more informational influence strategies if common ground or trust is present. If trust is absent informational influence strategies may be viewed suspiciously by the target, who may inaccurately perceive or distort the message” (p.43). The point here is that a lack of trust could lead to the consumer believing any information provided by the vendor lacks integrity. Mohr and Nevin (1990) discussed the link between trust and the sense of shared identity achievable in a high trust circumstance. “When members experience trust and supportiveness in the organization, they develop a sense of shared identity with the organization” (Mohr & Nevin 1990: 43). In other words, if common goals and values are perceived to be shared by both parties, an equitable arrangement of consensual exchange of information can occur from both consumer to organisation, and organisation to consumer.

3.2.1 Consumer Trust and Loyalty

Morgan and Hunt’s (1994) work explored the relationship between commitment and trust. According to Morgan and Hunt (1994), commitment is clearly similar to brand loyalty. This study took loyalty to be more than product repurchase (Morgan & Hunt 1994) and found that there is a clear positive relationship between both commitment and trust. Furthermore, it was found that, when both commitment and trust are present, “they produce outcomes that promote efficiency, productivity, and effectiveness. In short, commitment and trust lead directly to cooperative behaviours that are conducive to relationship marketing success” (Morgan & Hunt 1994: 22). Likewise, trust is treated as a basis to build stable relations (Garbarino & Johnson 1999). These comments are supported by Bennett, McColl-Kennedy and Coote (2000), Doney and Cannon (1997), Liang & Wang (2004), Nöteberg, Christiaanse and Wallage (2003) and Roberts (2000). Judson and Kelly (1999) validated this research with their own interpretation of commitment being, “[a] satisfied customer needs to be convinced that there is a compelling reason to change” (p.78).
A study by Saparito, Chen and Sapienza (2004) found a link between what they termed relational trust; similar to Williamson’s (1993) conception of trust where trust is likened to person-to person relationships, and a reduction in the likelihood of customers switching banks. However, this study was an investigation of the bank-to-small firm relationships, which have less strong power asymmetry than that characterised by bank-to-consumer relationships (Saparito, Chen & Sapienza 2004).

In a study on ethical behaviour in the financial services industry, Román (2003) found a link between customer trust in a financial services company and greater customer loyalty. Furthermore, Colwell and Hogarth-Scott (2004) confirmed a link between what they termed “cognitive transaction trust” and “consumers’ propensity to switch” in bank-to-consumer relationships, when they found that “cognitive transactional trust is a significant deterrent to the dissolution of the relationship” (p.391). However, it must be noted that this research was undertaken on “hostage” relationships, where consumers are dependent on the supplier and it is difficult for them to switch suppliers (Colwell & Hogarth-Scott 2004). These studies did not investigate consumer loyalty, rather they investigated a type of customer retention or repeat-purchase.

Aaker (1996) described the main benefits of higher levels of customer commitment or loyalty, as it “reduces marketing costs, trade leverage, attracting new customers, creates awareness, reassurance, time to respond to competitive threats, barrier to entry [of new entrants], possible price premiums, bulwarks against deleterious price competition” (p.319). Dowling and Uncles (1997) also discussed these benefits, when they emphasised the importance of both trust and loyalty, in the engendering of “favo[u]rable recommendations to be passed on to other potential customers by loyal buyers” (p.72). The link between consumer trust and loyalty, although to date not thoroughly tested, is likely to exist (e.g. Bejou et al. 1998; Bennett et al. 2000; Sternberg 2000).

Consumer trust in a business improves the possibility of a long term relationship with a customer. The preponderance of the relationship marketing literature from the 1990s highlights the importance of consumer trust (e.g. Colgate & Alexander 1998; Cowles 1997; Gummesson 2002; Morgan & Hunt 1994) as an ideal to be
advanced within businesses and retail organisations. Cogent rationales are put forward by various marketers as to the supposed worthiness of building trust relationships with customers. Thus far comprehensive empirical data are in short supply to validate these rationales. Nonetheless data from the psychological domain support the notion of trust being fundamental in building and maintaining interpersonal relationships and, in addition to this, trust literature from sociological texts also emphasises the importance of trust in terms of social capital and also maintaining social order. It is widely accepted within the business and marketing literature that businesses that are able to build and maintain trust have added advantage over businesses that cannot build or maintain trust based relationships with their customers. This has parallels to interpersonal relationships also, as trust between friends, family, partners, business associates and colleagues and other members of society encourages the building of stronger relationships and likewise maximises the possibility of loyalty. Furthermore, these types of relationships facilitate the reduction in the need for hard evidence in maintaining relationships in the longer term.

3.3 Antecedents of Consumer Trust
Throughout this review, considerable evidence for the sustenance of trust has been discussed. Trust has been found to be an integral part of a relationship marketing strategy for an organisation, and is of increasing importance, particularly for service-type businesses and those that are operating in an electronic environment. This is particularly salient for retail banks which generally operate in both the physical and electronic environments. Gaining the trust of current and potential customers entails a number of controllable and uncontrollable factors.

Antecedents such as goal congruence, positive reputation, good communications and length of relationship (Anderson & Weitz 1989) affect the amount of trust gained. Berry (1995) also agreed that the length of relationship can lead to a greater understanding between both parties, enabling the development of trust. It should be noted that the length of relationships cannot be assumed to be the sole means of determining consumer trust. It is entirely possible that many longer-term relationships between customer and businesses can be an indicator of lack of choice of valid alternatives for consumers. For this reason the assumption of long
term relationship and consumer trust should be taken as a possible symptom rather than a firm indicator.

One might assume that a lack of conflict between a customer and vendor might lead to the formation of a trust based relationship. This notion was discounted by Ganesan (1994), when there was found to be no direct relationship between trust and past satisfaction. Kumar, Scheer and Steenkamp (1995) researched this concept further, and discovered “the absence of conflict permits the development of favo[u]rable reactions as trust and commitment, but the absence of conflict does not, in itself, generate trust and commitment” (p.349). Although these authors contended that there is no direct relationship between trust and past satisfaction or lack of conflict in past transactions, other authors do not discount an indirect relationship. However Ambler (1997) contended, “Trust builds slowly if customers are fully satisfied” (p.290). More recent studies by Román (2003) and Liang and Wang (2004) have identified customer satisfaction as possible factor which increases the likelihood of consumer trust in financial institutions.

Trust can begin to emerge on the basis of successful exchanges not themselves based on trust. “A history of small, low-risk acts of successful co-operation can then provide the basis for larger, longer-term, co-operative enterprises” (Bloor 1997: 116). This is consistent with the dependability factor identified as an attribute of interpersonal trust. “Trust evolves through mutually satisfying interactions and increasing confidence in the relationship” (Rempel, Holmes & Zanna 1985: 96). It should noted that Bloor’s (1997) and Rempel, Holmes and Zanna’s (1985) assertions are based in psychology.

Another commonly cited antecedent to building consumer trust is that of regular communication between the business and the consumer (Berry 1995; Gefen & Straub 2004; Mohr & Nevin 1990; Morgan & Hunt 1994). “Forthright, frequent two way communications clearly are important” (Berry 1995: 242). Morgan and Hunt (1994) supported this, where they found a positive relationship between communication and trust from their research of the relationship between tyre retailers and their suppliers. Mohr and Nevin (1990) affirmed this when they pointed out that “communication difficulties are a prime cause of channel problems” (p.36). Bi-directional communication is a characteristic of a high trust
environment whereas unidirectional or one way communication by the supplier/vendor leads to an environment of low trust.

The two-way information channel may become redundant or ineffectual if the manufacturer is perceived to lack integrity. “Informal modes of contact with a distant or untrustworthy manufacturer may lead to information being discounted” (Mohr & Nevin 1990: 43). Mohr and Nevin (1990) further explored the inherent paradox that regular two-way communication can build trust, but information communicated by an untrustworthy vendor may be rejected.

3.3.1 Credibility and Benevolence
The two main precursors or key attributes of trust are credibility and benevolence (Doney & Cannon 1997; Ganesan 1994; Gefen & Straub 2004; Kumar et al. 1995; Larzelere & Huston 1980). These are investigated below, and are consistent with literature from social psychology. Credibility is based on the extent to which the consumer believes that “the vendor has the required expertise to perform the job effectively and reliably” (Ganesan 1994: 3). Benevolence is based on the extent to which the consumer believes that “the vendor has intentions beneficial to the [consumer] when new conditions arise, conditions for which a commitment was not made” (Ganesan 1994: 3). It should be noted, however, that Ganesan’s study was based on a business-to-business relationship. Nevertheless there is value in translating this through to a business-to-consumer relationship as, “Without credibility, one loses the possibility of making promises” (Hardin 1991: 190)

Ganesan (1994) suggested that purchasers who perceive a vendor to possess a reputation for fairness are more likely to trust the vendor. This same study pronounced cautiously that, “satisfaction with past outcomes does not have a significant effect on a vendor’s benevolence or credibility” (p.10). This would suggest that outside factors, apart from that of past positive experiences with a vendor, are more important influences on the level of trust gained by the customer.
3.4 Consumer Trust and Retail Banks

The literature reviewed relating to general consumer trust is relevant for the commercial relationship between customers and the banks. Authors including Colwell and Hogarth-Scott (2004), Liang and Wang (2004), Lowe and Kuusisto (1999), Lynch (1991) and Zineldin (1996) identified that trust plays a role in the bank-to-customer relationship. “Since its earliest beginnings banking has been perceived as a business which depends on mutual trust and personal integrity” (Lynch 1991: 3). The relationship between a customer and a bank can be rather complex because of the heightened levels of commitment and perceived risk involved, especially for the customer. The commitment and perceived risk levels of the customer can be regarded as particularly high because:

- The relationship between customer and bank is usually long term, involving a collection of many transactions. Also customers do not change their banks on a regular basis (Kaynak & Whiteley 1999).
- The customer entrusts their finances and in many cases their savings to the bank, with little immediate visible returns or benefits (See section 3.5.1).

This poses interesting dilemmas, and also opportunities for the marketer, in considering how one can build trust in potential bank customers and how the bank can retain their customers’ trust to maintain their business.

When one says “I trust my bank”, one in fact refers to the humanly created systems and indirectly one trusts the operators and management whose ingenuity, expertise and labour are somehow encrypted into the bank (Hardin 1991; Sztompka 1999). From the outset it is apparent a multidimensional form of trust is needed from the customer. The customer must have a level of trust in the bank brand (Aaker 1996), the bank staff and management (Avkiran 1999; Klose & Finkle 1995) and most importantly the bank systems (Hardin 1991; Sztompka 1999). This is problematic for the bank as in some circumstances the customer deals with one or more bank service facilities from either electronic and physical service locations. Whereas in the past, customers primarily identified with their local bank branch as their service provider (Lynch 1995), now customers are more than likely to identify themselves a customer of the whole banking entity (Parker 2003). Not all customers use all the facilities that bank has to offer, so different
customers will have different levels of trust in different components of the banking service. For this reason it is important that marketers are able to identify which customers use which bank services.

3.4.1 Bank Customer Types
To analyse the role of consumer trust in a bank-to-consumer relationship, it is important to define the basic needs of customers with respect to their banks. There are many products and services offered by banks and many types of customer who interact, transact and do business with them. Each of these customers have various needs and wants from their respective banks making it difficult to make broad generalisations about customers’ needs. An accepted method of grouping customers with regards to their needs is to segment customers from a heterogenous pool with varying needs into smaller homogenous groups (Kotler et al. 1994; Quester et al. 2001). Holstiuss and Kaynak (1995) and Kaynak and Whiteley (1999) proposed a segmentation model whereby bank customers can be divided into three primary segments. These segments are: interaction oriented, security oriented and task oriented customers. This model was utilised for studies undertaken in Finland (Holstius & Kaynak 1995) and Western Australia (Kaynak & Whiteley 1999). Table 2 shows a summary of the characteristics of the three segments. According to Kaynak and Whiteley (1999), most Australian bank customers are either interaction or task oriented customers. This was emphasised by the low importance placed on security of the bank (Kaynak & Whiteley 1999), which may indicate that these consumers take the security element for granted. Moreover, security oriented customers tended to be from the country or rural areas.
<table>
<thead>
<tr>
<th>Personality Type ¹</th>
<th>Bank Customer Type ²</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interaction Oriented</strong></td>
<td><strong>Interaction Oriented</strong></td>
</tr>
<tr>
<td>• Characteristics: need for affiliation, socially group dependent, lacking in need for autonomy, needing to be helped by others.</td>
<td>• Value: the relationships between them and their bank, also value how banks manage their accounts and services.</td>
</tr>
<tr>
<td>• Patronise either national or regional banks.</td>
<td>• Patronise either national or regional banks.</td>
</tr>
<tr>
<td><strong>Task Oriented</strong></td>
<td><strong>Task Oriented</strong></td>
</tr>
<tr>
<td>• Characteristics: self-sufficient and resourceful, aloof and not sociable, aggressive and competitive, introvertive.</td>
<td>• Value: speed accuracy and efficiency in bank transactions.</td>
</tr>
<tr>
<td>• Typically patronise well established national banks.</td>
<td>• Typically patronise well established national banks.</td>
</tr>
<tr>
<td><strong>Self Oriented</strong></td>
<td><strong>Security Oriented</strong></td>
</tr>
<tr>
<td>• Characteristics: lacking in need for change, manifestly anxious, feeling insecure, lacking in control, introvertive.</td>
<td>• Value: conservatism and traditions.</td>
</tr>
<tr>
<td>• Generally customers in the country and typically patronize regional banks.</td>
<td>• Generally customers in the country and typically patronize regional banks.</td>
</tr>
</tbody>
</table>

1. Bass (1960); Bass and Dunteman (1963)

The two main customer groups identified, interaction-oriented and task-oriented, have similarities to the two main customer groups identified and explored by Anderson, Cox and Fulcher (1976) and Anderson and Cox (1977) whereby customers were classed into two broad customer groups – service oriented and convenience oriented. These broad segments were also adopted by Martin (1981). Service oriented customers had similar attributes to interaction oriented customers, and likewise the convenience orientation has similar attributes to the task oriented customers. No equivalent to the security oriented customer was identified, this may be because these customer segments were mooted prior to the widespread introduction and penetration of electronic banking. Besides, Kaynak and Whiteley (1999), in their study of Western Australian bank customers, discovered that security oriented customers were the smallest proportion of customers, with interaction oriented customers being the dominant group.

The bank customer segmentation method used by Holstius and Kaynak (1995) and Kaynak and Whiteley (1999) also has parallels to the influential personality / motivation model conceived by Bass (1960) and further developed by Bass and Dunteman (1963), although no reference was made to these models being a source of inspiration. Bass (1960) and Bass and Dunteman (1963) contended that
individuals could be grouped into three distinct personality types. These were: interaction oriented, self oriented and task oriented. These groupings were used to classify individuals in leadership positions in organisation environments (Bass & Dunteman 1963). The orientations reflect personalities, motivations and behavioural characteristics of the individuals. The abovementioned two models are contrasted in Table 2. Since then this model has been the basis for further studies and testing by Bass (1977) and Bass, Kanfer & Guyett (1963), with scales for measuring these orientations in an organisational behaviour context being developed (Bass 1977). Although there are some minor discrepancies between the models, in terms of classification names, the personality characteristics proposed by Bass and Dunteman (1963) largely complement the values of the various bank customers proposed by Holstius and Kaynak (1995). This gives further credence to the Bank Customer type model proposed by Holstius and Kaynak (1995) and Kaynak and Whiteley (1999). However, this is a somewhat newer model, and to this point has remained relatively undeveloped within marketing literature. This could partly be due to the relative heterogeneity of the segments proposed (Quester et al. 2001). These segmentation groups would need further disaggregation to be useful as a total segmentation approach for a retail bank. Regardless of the relatively broad segments proposed, this segmentation method provides a suitable foundation for the analysis and application of proposed trust attributes of various bank customer types based on their various needs for the purpose of this thesis. This is because, as identified by Kaynak and Whiteley (1995), these customer segments have distinct bank usage and behavioural homogeneities as summarised in Table 2.

It is evident from Table 2 that each customer type has different needs and expectations of their bank. These different needs are likely to impact on the likelihood of the customer trusting a bank, what parts of the bank they trust (e.g. staff, equipment, the banking entity as a whole, the local bank branch, the transaction purpose) and the differing levels of trust they are willing to thrust on the bank. This is reflected in the respective preferred methods of interaction and engagement with a bank. A customer who primarily interacts with bank via the Internet facilities is likely to have a different type of relationship and engagement
with a bank, than a person who primarily interacts with the bank branch face to face.

3.4.2 Antecedents of Consumer Trust in Retail Banks
Alongside the literature pertaining to general antecedents of consumer trust analysed in section 3.3, for the bank context, the body of literature is less extensive and is largely extensions of research from the conventional consumer trust literature. There have been some exceptions, including Liang and Wang (2004), who identified a link between consumer satisfaction and consumer trust, in the bank-to-consumer relationship.

When reviewing literature core to the topic of this thesis, the key attributes of trust uncovered – predictability, reliability, dependability and faith (McAllister 1995; Norris & Zweigenhaft 1999; Rempel, Holmes & Zanna 1985; Zucker 1996) and integrity, consistency, competency, fairness, helpfulness, benevolence and credibility (Gefen & Straub 2004; Morgan & Hunt 1994; Rotter 1971) are salient. Likewise, from a bank’s perspective, Saparito, Chen and Sapienza (2004) found that a bank’s customer orientation; providing services and products that fit customer’s specific needs (Berlin & Mester 1998; Quester et al. 2001; Saparito, Chen & Sapienza 2004) is an antecedent to a customer’s relational trust. Unfortunately, the antecedents canvassed thus far are by and large abstract and bordering on ambiguous, making it extremely difficult for a bank to enact policies or programs to imbue a sense of trust in present and potential customers using these attributes. Further complicating this is the possibility that the bank satisfies the criteria of these attributes, but customers may not perceive them to do so.

3.5 Trust and Electronic Banking
An interesting dimension to the consumer trust in a retail banking context, is trust in electronic banking services. There is evidence that customers can feel isolated (Allred & Addams 2000) and ill at ease (Sathye 1999) with such methods of technology-driven service delivery. Other customers far prefer the interaction elements and face-to-face contact (Allred & Addams 2000; Avkiran 1999; Barnes 1997; Dannenberg & Kellner 1998; Harden 2001) associated with conventional bank branch service delivery, particularly security oriented customers (Kaynak &
Whiteley 1999). However, this form of banking can potentially provide the customer with a greater sense of control because they are interacting directly with the technology (Dabholkar 1994; Joseph, McClure & Joseph 1999) and can generate a tangible record as a receipt or as a printout, important in the delivery of services (Zeithaml, Parasuraman & Berry 1985). One of the most important stumbling blocks to be overcome by electronic banking services is the lack of tangibility involved in electronic transactions. This is a widespread issue in electronic services in general, especially in Internet retail services.

3.5.1 Intangibility and Physical Evidence
One of the key features of banking services, as with all services, is intangibility (Johnson 1981). In terms of trust, this is an important feature, because the degree of intangibility inflates the purchase risk (Seiders & Berry 1998). “Intangibility inflates the purchase risk because customers cannot experience the product firsthand and must operate on faith” (Seiders & Berry 1998: 12). Furthermore, the intangible nature of banking services makes the products more difficult to evaluate, which forces consumers to rely on trust (Seiders & Berry 1998). “Financial services are arguably highly typical of services offerings in general, with more complicated financial services in particular being highly intangible as well as problematic in terms of consumer cognition” (Devlin 2000: 222). Dibb and Meadows (2001) agreed, “retail banks have struggled to come to terms with the intangibility of the products that they offer, and this has traditionally encouraged an emphasis on customer relationships and service delivery” (p.170).

Apart from service intangibility, banks operating primarily in the electronic medium must also consider lack of tangibility or physical presence for a consumer. Significant research has shown that tangible attributes can affect customers’ quality perceptions of services (Parasuraman et al. 1991a, 1991b, 1993; Wakefield & Blodgett 1999), although to a lesser degree than intangible service factors (Dabholkar 1994; Dabholkar, Thorpe & Rentz 1996; Wakefield & Blodgett 1999).

In the context of this thesis, the concept of physical evidence is considered slightly different from tangibility. Tangibility is treated as the physical attributes or cues of the service offering. In the case of banks, the branch itself, ATMs and
service staff are all considered to be tangible attributes. These are the parts of the service that customer or potential customer can interact with and importantly identify with the service. “[T]angible assets which can be seen, touched, smelled, heard, or tasted prior to purchase” (Kurtz & Clow 1998: 10).

By contrast, physical evidence is considered to be the remnants of the service that the customer actually retains in their possession. In the case of the bank, bank account statements, letters, ATM receipts and printouts are all tangible records which are important in the delivery of services (Zeithaml, Parasuraman & Berry 1985). Although the differences are only minor, the distinction becomes very important when looking at the service offering of the bank. For instance, customers who interact with the bank via the Internet are using a service of very low tangibility; the customer does not interact with any tangible or physical attributes of the bank, however the customer is likely to retain or have the option to retain some physical evidence of the interaction in the form of printouts.

Lowe and Kuusisto (1999) have alluded to the possibility of strong cognitive attribution towards physical bank branches by customers in terms of consumer trust. However, to date, the majority of this research is based upon conceptualisation. Moreover, there is mounting evidence, particularly in popular, non-academic literature and media of a possible link. The bulk of the evidence to this point is largely of anecdotal nature, and this is largely sourced from the popular media. Some examples of this are also included in Chapter 5 where a preliminary study of the Community Bank scheme in Australia is presented in the form of a news-print media analysis.

3.6 Institutional Trust and Retail Banks

The key focus of this thesis is the consumer trust relationship with banks as institutions. This notion rides on the fact that banks have been traditionally viewed as an entity distinct from a commercial business (Lowe & Kuusisto 1999; Singh 1991; Sztompka 1999). What separates banks from other businesses is the unique historical role banks have played in Australian society. As stated at the beginning of this chapter, it is postulated that the idea of a bank has historically been thought of as a social institution of similar ilk to government, law, and
church and religious institutions. The physical embodiments of these can be identified within the setting of small towns or communities. In some of these communities, institutions such as bank branches, churches, a post office and public bars are located and intrinsically linked within the social fabric of the community. These institutions serve social purposes beyond their intended functional purposes. This concept of banks as an institution is discussed and analysed at length in the chapter 4 literature review.

The institutional stature attributed to banks is a product of a number of causes including:

- The historical community-building role attributed to banks. (Singh 1991, 2004; Smailes 2000)
- The implied and non-implied social responsibilities of the banks (Cousins 1995; Singh 1991)

Example of this institutional stature include accounts by Lynch (1991), Singh (1991, 2004) and Smailes (2000) who discussed the historical significance and standing of the local bank branch manager in small communities. In the past, bank managers were considered pillars of the community and were held in high regard. Now, “[c]ustomers have become more geographically mobile; also, the spread of services through ATMs has kept the customer out of contact. Indeed the manager has become increasingly like the priest in the confessional, meeting only those who have sinned” (Lynch 1991: 25).

There is a lack of literature pertaining to institutional trust in the sense of banks as an institution. Lowe and Kuusisto (1999) alluded to the concept in their article “The institutional stature of the retail bank: the neglected asset?” In this article Lowe and Kuusisto proposed that a concept “institutional stature” was an important element in the bank-to-customer relationship. In this context, they defined institutional stature as a combination of both the physical attributes of a bank branch and the historical social function of the bank. “For generations banks have skilfully been able to commercialise trust by differentiating themselves through their institutional stature. Banks serve fundamental needs both at an
individual level and at a community level, which has so far sustained their institutional stature” (Lowe & Kuusisto 1999: 176).

Lowe and Kuusisto (1999) continued on to discuss the supposed erosion of institutional stature which they attributed to a number of factors including, deregulation, bank mergers, the proliferation of electronic banking and bank branch closures (see Figure 7).

![Figure 7: Evolving Institutional Stature of the Retail Bank](image)

**Figure 7**  Evolving Institutional Stature of the Retail Bank  
Source: Lowe & Kuusisto 1999: 176

From a sociological perspective, Giddens (1991) and Sztompka (1999) highlight that one way to increase the level of trust in people’s perceptions, is to evoke a sense of tradition. According to Sztompka (1999), “In traditional societies there is more ontological security and trust. Where tradition rules, the future is at least in part predictable, it will follow traditional ways” (p.137). This partly explains the level of trust historically imbued upon banks, and is consistent with psychological theory which attributes trust partly to dependability and reliability (Kumar &
Shapiro (1987) and Zucker (1986) argued that institutional-based trust is a commodity, albeit a social one. They also argued that it can be can be “manufactured” by individuals, firms and industries. However considering dependability, reliability and an historical standing are primary attributes of institutional stature, this artificial manufacture could potentially be complex.

There is a plethora of literature pertaining to trust and institutions which is examined in Chapter 4. This largely looks at institutions in the broader sense, with little literature with direct reference to banking institutions as a central focus. Much of the literature investigated has a sociological background, however this is supplemented with both conceptual and anecdotal data on the historical role of banks in Australian communities.

3.7 Limitations of Existing Models

The opportunity for additional research into consumer trust in the retail banking industry is underscored by the following conceptual and methodological limitations of the literature. The most striking limitation of the literature, in all three disciplines from which trust research was reviewed was the hitherto lack of broad and thorough empirical testing. The majority of the literature cited, observed and reviewed explored the concept of trust from a conceptual basis. Moreover, the benefits to a business of a consumer trust relationship were in many cases tenuous, and in significant instances based on anecdotal evidence. Although this literature provided convincing and compelling arguments for the positive benefits and side-effects resulting from consumer trust, these benefits were largely undocumented in terms of qualitative data or statistics. Many of the benefits postulated to be gained from a trust based relationship in a business-to-consumer relationship were attributable to those from interpersonal relationship literature.

This leads to the second limitation of existing models. The studies of consumer trust from a marketing perspective are largely based upon that of literature from other disciplines, primarily psychology. Much of this literature has its roots in
interpersonal relationships. It is convenient and academically sound to draw some parallels between business-to-consumer trust relationships and interpersonal trust relationships as they have very similar qualities in terms of how trust is built and maintained. Also, both relationships are likely to have similar benefits from their bases in trust. However, it is important to note that there are some inherent differences between both types of relationship, particularly in terms of the probability and prominence of power asymmetry and differences in terms of interdependence. Interpersonal relationships are prone to be characterised by closer power symmetry than those of business-to-consumer relationships. This is because interpersonal relationships deal with individuals and are mainly one-on-one whereas, in business-to-consumer relationships, consumers are generally less powerful than the business. Power asymmetry can complicate the development of a trust based relationship, because the less powerful in the relationship has more at stake.

Much of the theoretical discussion in the marketing literature focuses primarily on business-to-business and channel trust relationships, with much of business-to-consumer relationship frameworks based on this literature. As with the literature on interpersonal relationships, there is significant theoretical alignment between both types of relationships, but similarly there are important distinctions that must be made between the two types of literature. Again these differences are particularly evident in the greater prevalence and prominence of power and information asymmetries that are likely to exist in business-to-consumer relationships. Business-to-business relationships, although likely to be characterised by some power asymmetry, this power asymmetry is generally less pronounced or prevalent. Issues of disparity in bargaining power are relatively common in business-to-business relationships, however these are far less likely than those in business-to-consumer relationships.

Complementing the strong conceptual basis of much of the literature reviewed in this chapter is the hitherto scant documentation of firm quantitative data relating to the benefits of consumer trust in both business and bank-to-consumer relationships. It is clear from the literature review that there is a prima facie argument for the banks and business generally to encourage trust in their existing and potential customers, however firm proof of this in terms documented benefits
is rare. Literature cited discussed the potential benefits of trust based relationships with customers as being increased customer loyalty and rates of retention, profitability and more accommodating customers, but documented academically sound empirical research would further enhance the case for encouragement of consumer trust relationships.

### 3.7.1 The Gap in the Literature
The review of the literature has failed to encounter any published book or article which comprehensively and definitively explored the relationship between consumer trust and banks, particularly in terms of the institution-based trust (See section 3.6). Likewise, there have also been some recent articles which investigated institution-based trust in electronic commerce (Gefen & Straub 2004; Pavlou & Gefen 2004; Walczuch & Lundgren 2004). Lowe and Kuusisto (1999) alluded to the possibility of a concept they dubbed institutional stature, which they contended is being diminished by the deregulation and introduction of new technology service delivery in the banking sector. The paper is conceptually based, with no empirical data as yet to supplement the propositions made. However, the propositions made by the authors appear to be consistent with those suggested in other academically sound literature looking at the evolution of the banking in Australia (e.g. Cousins 1995; Singh 1991) and also other popular literature and media.

The direct link between trust and institutions and institutionalism is well documented in sociological and psychological literature (Giddens 1990; Parsons 1951; Shapiro 1987; Sztompka 1999; Zucker 1986), nonetheless this link has never been fully explored in the academic marketing literature, particularly in the bank-to-consumer, and bank-to-community relationships. As the preponderance of literature from a psychological perspective advocated that trust is a multidimensional psychological state, where rational and irrational (and arational) means are used by the potential trustor when evaluating or choosing whether to trust the potential trustee, it is important to take into account a wide range of possible influences when looking at the why and in what conditions customers trust a business.
This review has found some literature which alludes to the idea of the traditional customer relationship with their chosen bank as different, and perhaps more complex than that of a conventional business-to-consumer relationships. This difference may be attributable to Lowe and Kuusisto’s (1999) notion of institutional stature.

The historical relationship between Australian banks, and their customers and broader community has been documented quite extensively, by academics, historians, popular authors, governments and the banks themselves. Some of this literature is reviewed in Chapter 4, but most of this literature has circumvented the central reason of why the trust relationship between customer and banks is unique.

### 3.8 Summary

When analysing the information and data presented in the numerous literature sources utilised in this literature review it is important to take a number of considerations into account. To date, the majority of business and marketing literature conceptualises trust merely as a psychological state, similar to trust exhibited in trusting interpersonal relationships. Hence there is a strong association drawn between psychological literature and consumer (marketing) trust literature. As has been documented in this chapter, there are multiple dimensions and significant depth to the notion of trust. One such dimension of trust is the sociological importance of trust. The notion of institution-based trust and the idea of social capital and their influence on the bank-to-consumer relationship have to this point been largely overlooked by marketing academia. The possibility of broader, and in some ways less tangible and controllable influences on the bank-to-consumer trust relationship, have yet to be thoroughly researched.

There is ample evidence in the literature reviewed that there is significant weight to the possibility of trust being an important factor in the business-to-consumer relationship. It is also evident that consumer trust in a retail banking context may have subtle differences to that of a conventional business-to-consumer relationship. This thesis contends that in some cases trust imbued upon banks by current and potential customers may be more significant than that attributed to a
regular retailer. This is consistent with trust being viewed as a multidimensional notion, with customers using both rational and irrational means for determining trustworthiness, and furthermore, both affect-based and cognition-based forms of trust. This uniqueness of the trust relationship between customer and bank may potentially be linked to institutional stature traditionally associated with banks. Although this notion of institutional stature is not conceived to be the primary or main determinant in the customer decision to either trust or not trust a bank, it is conceived that institutional stature would be a significant antecedent to consumer trust. Literature pertaining to institutions and institutional stature is examined in Chapter 4.
Literature Review
The Evolving Role of Financial Institutions in Communities

4.1 Overview
This chapter reviews literature pertaining to the concept of banks as institutions. It focuses on this concept mainly from sociological and historical perspectives. The chapter discusses the concept of an institution and how it differs from other types of organisation. Furthermore, the chapter reviews literature pertaining to financial services providers and the legitimacy the claim of being financial institutions. Finally this chapter reviews literature that discusses the sociological role of various financial institutions that operate in Australia and how these have changed over time.

4.2 Introduction
There has been a considerable body of research that has focused on the concept of institutions and the various roles they play in communities (e.g. Alston 2000; Parsons 1951; Putnam 1993). Moreover, the relationship between institutions, and consumer and community trust has also been researched widely (e.g. Alston 2000; Beaudoin & Thorson 2004; Coleman 1990; Eisenstadt 1968; Fattore, Turnbull & Wilson 2003; Fukuyama 1995; Gambetta 1988a; Granovetter 1973; Hardin 1991;
Metlay 1991; Putnam 1993; Sztompka 1999). However there is a relative dearth of literature about the sociological role of financial institutions in communities; particularly in Australia. This literature review explores the qualities and attributes of institutions, then compares attributes of an institution with those of a financial services provider. Upon identification of the attributes of a financial institution, the role of the financial institution in the communities they inhabit is examined.

When looking at the multi-faceted role of the various financial institutions present in Australian communities, it is worthwhile to look at their various roles throughout history. There have been many books documenting various movements in the financial services in an historical context (Butlin 1986; Coombs 1971; Gifford et al. 1967; Singh 1991). These are supplemented by various individual bank histories (Butlin 1961; Commonwealth Bank of Australia 1947; Merrett 1985; Murray & White 1992), which in some instances were commissioned by the banks. Also, histories have documented various financial movements in Australia, including building societies (Australian Association of Permanent Building Societies 1983), credit unions (Arneil 1980; Crapp & Scully 1983, 1985; Lewis 1986) and friendly societies (Blainey 1999; Green & Cromwell 1984). Each of these histories is united in espousing the historical social significance of the various banking entities. However there is little in the way of comparison of the various types of financial institutions and their place in Australian history. A comparison of the various types of financial institutions would provide a valuable insight into the movements and trends of the financial services industry in Australia. Moreover these movements also mirror social change and consumer change in Australia (Henningham 1999). This could conceivably serve as a paradigm for the conception, growth and decline of financial institutions in Australia. Furthermore this paradigm may provide insight into current movements in the Australian financial system.

4.3 What is an Institution?
The concepts of institution and of institutional stature are complicated to define. Much has been written on the concept of Institutions and Institutionalism, in many streams of academia, from political sciences (e.g. Bill & Hardgrave 1981; Simon
1991) through to sociology (e.g. Durkheim 1978, Hughes 1936, Parsons 1951, Scott 1995a; Selznick 1957; Weber 1947) and psychology (e.g. Dasgupta 1988; Kramer 1999). A result of this breadth of academic study has been many varied (and in the majority of cases valid) interpretations and usage of the term (Goodin 1996b). The major premise of this literature review is to interpret the sociological significance of institutions, and for this reason the focus will be on that of sociological interpretation of the term. Within this stream of academia there are also many common usages of the term ‘institution’, and according to Hughes (1936: 180) the only idea common to all usages is that it is “some sort of establishment or relative permanence if a distinctly social sort”.

An appropriate definition of the term ‘institution’, in the context of this thesis, is provided by the Oxford English Dictionary (1989) “an establishment, organi[s]ation, or association, instituted for the promotion of some object, esp. one of public or general utility, religious, charitable, educational, etc.” This meaning is one of eight major definitions in the dictionary, however it is most suited to the term ‘institution’ as contextualised in this thesis. The Oxford English Dictionary has a fairly liberal interpretation of the term, as evident by the broad purpose of an institution, as being “instituted for the promotion of some object” (Oxford English Dictionary 1989). However, the significant phrase in this definition is “esp. one of public or general utility”; this means that in most cases a key determinant of institutional status is that an establishment serves broader interests than simply its own. This is consistent with the writings of Henningham (1999), Karnœ (1995), Offe (1996), Scott (1995a, 1995b, 2001) and Selznick (1957) and reflects most contemporary literature. Moreover, these academics emphasise the idea of “public or general utility” as the defining feature of an institution.

Goodin (1996a: 21) referred to Huntington’s (1968) definition of institutions as a “stable, valued, recurring pattern of behaviour” (p.12). This is a rather generalist interpretation of the term and may create confusion. For instance the definition does not include any reference to the fact that an institution is a social phenomenon rather than something that can be initiated by an individual (Goodin 1996). Goodin (1996: 22) continued on to categorise social activities that could be considered institutions into six main categories: (1) institutions of family and
kinship, (2) education, (3) economics, (4) politics, (5) cultural institutions, and (6) stratification. The aforementioned six categories are based on those of Eisenstadt (1968).

A common feature of all institutions is their origin from social values and the society they inhabit (Goodin 1996a, Henningham 1999). This idea is further explored and extrapolated by Whitely (1992), and later Karnøe (1995). They both refer to institutions as being one of two types: (1) macro- or society-level, proximate social institutions, for instance, educational systems, government and legal systems, and economic systems, and (2) background social institutions, “which influence the deepest values of the society, structuring trust, cooperation, and subordination” Karnøe (1995: 247). Organisational forms and institutions are strongly influenced by the background social institutions (Karnøe 1995). The relationship is co-dependent meaning that alterations in background social institutions reflect and shape the more visible embodiments in the society level institutions, and vice versa. This categorisation of the two types of institutions simplifies what many of the other researchers have said about institutions reflecting social values (Selznick 1937; Henningham 1999). The concept of an institution as something distinct from an organisation is generally accepted in modern academia (Scott 1995a). The distinctions between the two are discussed later.

4.3.1 Features of Institutions

W. Richard Scott (1995a, 1995b) stated that there are three pillars of an institution. He identifies them as: the regulative, normative and cognitive pillars (Scott 1995a, 1995b; Scott & Christensen 1995a, 1995b). These pillars relate to the way institutions are constructed and the ways in which they are perceived by both external and internal actors. The pillars manifest themselves through the means by which institutionalised organisations comply with them.

The regulative pillar emphasises conformity to rules. “Force and fear and expedience are central ingredients of the regulative pillar” (Scott 1995a: 36), “but they are tempered by the existence of rules, whether in the guise of informal mores or formal laws.” Institutions are to a large extent influenced or regulated by third parties. In many cases this third party such as government (North 1990).
Scott (1995a) regards the compliance of institutions with the regulative pillar evident in “expedience” (p. 35) and adherence to regulations, which are in many cases set by third parties.

The normative pillar refers to the values and norms of an institution (Scott 1995a, 1995b). Scott (1995a) regarded the basis of institutional compliance with the normative pillar and that of “social obligation” (p. 35). Much of the normative pillar refers to actors in institutions, and the institutions themselves doing as they are morally governed to do “because it is expected of them; they are obliged to do so” (Scott 1995a: 39). “Social rewards and controls are seen to be as important or more important than economic incentives” (Scott & Christensen 1995b). The normative pillar relates to the institution’s values (Stinchcombe 1968) and norms (Scott 1995a, 1995b) and how actors in the institution conform or pursue them.

The cognitive pillar focuses attention on institutions from the perspective of their symbolic meanings. From the cognitive standpoint, the basis of compliance is that they are taken for granted (Scott 1995a). These establishments with institutional attributes exist and operate or behave as they do because of ingrained cultural influences. These institutions are influenced by the actors (both individuals and collectives) who ascribe to them.

In most cases, one of the three pillars is emphasised more than others by academics when explaining the role of these institutions. Some other authors including Offe (1996) and Suchman (1996) have forgone the first (regulative) pillar, in favour of discussing institutions using the normative and cognitive pillars as the bases of their work. However each of the three pillars has a basis for legitimacy in all circumstances (Scott 1995a, 1995b).

Many of the features discussed are internalised features, meaning they relate to the relationship between internal actors including staff and management of an institution. However many of these internal features define and manifest themselves in the ways external features of an institution relate to external actors or stakeholders (e.g. clients, government, society etc.).

One of the overarching features of institutions is their relative permanence (Hughes 1936; Scott 1995a) and Goodin (1996: 22) concurred, stating that a
“defining feature” of institutions “is the stable, recurring, repetitive, patterned nature of the behaviour that occurs” within them. This feature is largely related to the aforementioned normative pillar.

DiMaggio and Powell (1983) devised a framework which defined three different institutional mechanisms; coercive, normative and mimetic (See Figure 8). The last of these of these was an innovation of DiMaggio and Powell (1983), and reflects mechanisms which reflect stability and “standard responses to uncertainty” (p. 150). Each of the three institutional mechanisms reflects their institutional sources: government agencies, educational systems and other industrial organisations, respectively (DiMaggio & Powell 1983; Karnøe 1995). These institutional sources are the major proximate social institutions that are important shapers of social and thereby technical practices (Karnøe 1995; Whitely 1992).

Banking entities most closely resemble the third, as they display the mimetic attributes of traditional institution. More specifically, the banking entities can be seen to mimic the institutional attributes, normally attributed to government and educational systems and agencies (Karnøe 1995). They have historically been stable and permanent organisations (Hughes 1936) which have relatively predictable and consistent responses to outside influences (Sztompka 1999).
4.3.2 Institutions and Organisations

The parallels between the terms “institution” and “organisation” are striking, and the terms are often used interchangeably (Scott 1995a). Both terms refer to systems involving the mobilising of human energies and directing them to set goals (Scott 1995a; Selznick 1957). This thesis contends that there is a distinction between the two terms, with the former having significance over and above the latter. This distinction is drawn amongst many contemporary researchers academics including Offe (1996, 1999), Scott (1995a), Selznick (1957) and is the prevailing paradigm in modern academia (Scott 1995a). The issue for academics is the interpretation and explanation of the differences between these seemingly similar concepts.

Selznick (1957) in contrasting the differences between organisations and institutions stated that an organisation is “a technical instrument for mobili[zing] human energies and directing them towards set aims” (p.5), whereas an institution “is more nearly a natural product of social needs and pressures – a responsive, adaptive organism” (p.5). Selznick (1957) proposed that the process of institutionalisation, or the transformation of an organisation into an institution is something that can occur over time. “[M]ost associations resist so easy a classification” between organisation and institution (Selznick 1957: 6). He argued that there is difficulty distinguishing a pure organisation and a pure institutions, and that most establishments lie somewhere between both pure categories. Offe (1996) and Scott (1995a) also agreed with this argument.

The intrinsic link between organisation and institution is the process of institutionalisation. “As organ[i]ations become infused with value, they are no longer regarded as expendable tools; they develop a concern for self-maintenance. By taking on a distinctive set of values, the organ[i]ation acquires a character structure, an identity.” (Scott 1995a: 18). This statement sits well with Selznick’s earlier statements:

Institutionali[ation] is a process. It is something that happens to an organ[i]ation over time, reflecting the organ[i]ation’s own distinctive history, the people who have been in it, the groups it embodies and the vested interests they have created, and the way it has adapted to it’s environment.(Selznick 1957: 16).
He continued to state that the process of institutionalisation is “to infuse with value beyond the technical requirements” (Selznick 1957: 17).

On the other hand, authors including Cooley (1967) integrated the terms organisation and institution. Much of this interchangeable usage of the two terms can be traced to the earlier theorists. Authors including Parsons (1951, 1961) and Weber (1947) did not draw clear distinctions between organisations and institutions, with the former author drawing from influences including Weber (1947) and Durkheim (1964, 1978; Durkheim et al. 1964). Differentiating between the two concepts is only a more recent development (Scott 1995a) occurring in the latter half of the twentieth century.

Offe (1996) summed up the differences between institutions and organisations with three points:

1. Organisational duties are dyadic and institutional duties are triadic – meaning that apart from the institutional interaction (e.g. between employee and client), there are third parties “who are not part of the institutionalised interaction” (Offe 1996: 203). (e.g. Government and legal entities, community members etc). The idea of the triadic duties has parallels to the regulative pillar proposed earlier.

2. Organisations place more emphasis on “outcomes” rather than “duties”, whereas with institutions there is a compulsion to place duties and outcomes on a similar plane (Offe 1996: 203).

3. Organisations have less “scope, validity and impact” (Offe 1996: 203) upon an individual (whether an employee or a client) than an institution.

These three main differences converge well with the distinctions made in most contemporary research.

Hughes (1936) distinguished between institutions and businesses (“enterprise”). He drew linkages between the concepts of enterprise with that of business, because a business contains activities which are freest from traditional control” (Hughes 1936: 183). Such lack of control enables an enterprise to operate freely, which means that competition is unhampered. This statement has parallels with that of the regulative pillar of an institution, whereby Scott (1995a, 1995b) and
North (1990) stated that one of the features of an institution is the element of control of an institution by a third party (typically government).

### 4.4 Trust and Institutions

Numerous recent studies including those in Diego Gambetta’s ([ed.] 1988a) tome; *Trust: Making and breaking cooperative relations* (i.e. Dasgupta 1988; Dunn 1988; Good 1988; Luhmann 1988), also Coleman (1990), Fukuyama (1995), La Porta et al. (1997) and Putnam (1993) contended that trust or social capital has a strong influence on the performance of a society’s institutions. Bourdieu (1986) defined social capital as, “the aggregate of the actual or potential resources which are linked to the possession of a durable network of more or less institutionally[ed] relationships of mutual acquaintances and recognition”.

As identified in Chapter 2 (section 2.2.3), numerous authors have drawn a link between trust and institutions, naming it institutional-based trust or institution-based trust (Fenton 2000; Metlay 1999; Shapiro 1987; Zucker 1986). This particular conception of trust is prevalent in sociological literature; however more recent business literature has tested it specifically in electronic commerce (Pavlou & Gefen 2004; Walczuch & Lundgren 2004).

Parsons (1951) identified two types of institutional-based trust: person or firm specific and intermediary mechanisms. Parsons (1951) argued that trust cannot exist unless individuals share common values. He perceived trust as being based on the expectation by the trustor, that the trustees (particularly if the persons or organisations are in a position of power) will meet their social obligations and responsibilities. Thus trust is morally based and collectively orientated.

Cvetkovich and Löfstedt (1999) spoke of institution-based trust as a means by which to reduce risk. ‘People tend to trust other people and institutions that ‘tell stories’ expressing currently salient values, stories that interpret the world in the same way they do’ (Earle & Cvetkovich 1999: 9). Zucker (1986) argued that trust is a commodity, albeit a social one, and that this trust can be manufactured by individuals, firms and industries.
The institutionalisation process results in many of the processes and evident routines of an organisation to become obvious and unquestioned norms. These norms begin to form the “social capital” (Coleman 1988; Knudsen 1995) of the institutionalised organisation and can provide the foundation for community, and indeed potentially consumer, trust (Fukuyama 1995; La Porta et al. 1997; Putnam 1993).

Sztompka (1999) identified stability, transparency and accountability of institutions as potential antecedents of trust. Also historical levels of trust in institutions impact on societies’ current levels of trust in institutions (Sztompka 1999). Furthermore, Metlay (1999) identified seven antecedents of confidence and trust in government institutions: openness (willingness to be forthcoming), reliability and consistency in its actions, seen as having integrity and being honest, being credible, seen as being fair, seen as being caring and concerned, and seen as being competent. These antecedents are consistent with many of the antecedents identified as general consumer trust antecedents (Gefen & Straub 2004; McAllister 1995; Morgan & Hunt 1994; Norris & Zweigenhaft 1999; Rempel, Holmes & Zanna 1985; Rotter 1971; Zucker 1996) identified in Chapter 3.

Although government institutions are generally considered to display coercive attributes (DiMaggio & Powell 1983; Karnøe 1995), some businesses (specifically banks) are thought to display mimetic institutional attributes (DiMaggio & Powell 1983; Karnøe 1995) (see Figure 8). The mimetic attributes of banks, as the name would suggest, mean that these types of organisations mimic the institutional attributes of more traditional institutions. Therefore Metlay’s (1999) seven attributes of trust in government institutions are likely to translate to banking institutions. These attributes of institution-based trust in banks are discussed in forthcoming sections.

4.5 Financial Institutions

Financial institutions have attributes consistent with those explored for general social institutions. “A lot of trust vested in banks is procedural trust, it is trust vested in institutionalised practices or procedures, based on the belief that if followed they will produce the best results” (Sztompka 1999: 44). The analysis in
earlier sections of what it means to be an institution can be related to what separates a financial institution from that of a regular business or organisation.

4.5.1 The Historical Role of Financial Institutions in Communities

Much has been written in business literature as to the role of banks in communities. This has ranged from a pure business model with business and profit motives to that of banks being pure institutions with motives other than for profit alone (Cousins 1995).

The general consensus of the literature reviewed is that banks, credit unions and building societies have institutional attributes (e.g. Cousins 1995; Hawker et al 1999; La Porta et al. 1997; Lowe & Kuusisto 1999; Lynch 1991). In smaller and rural communities, banks not only provide financial services, but also have a symbolism that can be partially linked to the institutional stature (Lowe & Kuusisto 1999; Singh 1991, 2004; Sztompka 1999) attached to them. In the past, in small towns, the banks’ social role was very much in the context of community building (Singh 1991, 2004), and it was one of the first buildings to be built in an established community (Lowe & Kuusisto 1999; Singh 1991, 2004). It should be noted however that Lowe and Kuusisto made this point with regards to banks roles in communities in Finland. Notwithstanding this, much of Lowe and Kuusisto’s findings mirrored that of Australian researchers for an Australian setting (e.g. Singh 1991; Jarred 2001).

According to report of the House of Representatives Standing Committee on Economics, Finance and Public Administration (Federal Government):

> Banks have traditionally had high standing as local institutions in country towns and represent for the community, at least symbolically, solidarity and prosperity. They are perceived to be pillars not only of the economic fabric of towns but of the social fabric as well. (Hawker et al. 1999: 29)

This reflects the aforementioned notion that symbolism is an important component of banks in communities. Looking at banks’ branches at an individual community level, Butlin (1961) observed, "The number of these institutions in such small communities points to an obvious truth: they were small local
institutions with many of the characteristics of English country banks of the same period" when referring to banks in the period of the 1830s (specifically the Commercial Bank of Tasmania, Australia) (p. 2). Moreover, Kaynak and Whitely (1999: 226) noted that the “historical importance” of a bank can be a factor linked to its popularity, when referring to a regional Western Australian bank, The Bank of Western Australia.

Apart from the bank branch, the bank manager has also traditionally had an important role to play; “Retail banks have been a trusted and respected institution. The head of each branch was a respected figure, whose opinion was valued in each local community” (Lowe & Kuusisto 1999: 178). Singh (1991) agreed noting that managers were an important figure at the local bank branch and the community.

The changing (and evolving) role of banks and bank branches in Australian communities has been the subject of much contention in both academic literature (e.g. Argent & Rolley 2000; Beal & Ralston 1998; Ralston & Beal 2000; Weerasooria & Bagaric 2001) and popular media (see Chapter 5). This has been supplemented by numerous Australian government inquiries and departmental reports that have made comment on the social and business roles of banks in communities (e.g. Cousins 1995; Cousins et al. 1995; Hawker et al. 1999; Jarred 2001; Office of Regulation Review 1995; Wallis et al. 1997).

4.5.2 Banks and Social Obligations

Offe (1996) intimated that institutions have duties beyond those un regard to their clients, citing that institutions have a triadic relationship (and opposed to regular organisation whose duties are dyadic). This means that, apart from institutional interaction between bank employees and clients, there are third parties that are served (perhaps government or community members). Many arguments have been made in government reports and cited in academic literature (e.g. Cousins 1995; Griffith 2000; Weerasooria & Bagaric 2001) and also in popular literature and media for and against social obligations of banks. Weerasooria and Bagaric (2001) made the moot point that, strictly speaking, there is no such thing as a social obligation, “merely co-existing with other people in a society does not by that fact alone impose any social obligations on individual members of the
society” (p. 66). They stated that there are only two possible foundations for obligation: law and morality.

Cousins (1995) contended that, regardless of whether banks have social or moral obligations, social responsibility should be something that the banks should take on voluntarily. Singh (1991: 189) agreed stating that “philanthropic” activity is good for the banks’ images.

Cousins (1995: 22) recommended that universal banking “should be encouraged and made even for marginalised members of society to the benefit of society as a whole”, and that basic banking should be provided “as a concession” to assist marginal members of society. Furthermore, each of the major banks already detail in their annual reports in a separate section on community involvement the donations made to various projects and charities (Singh 1991) (eg. ANZ 2005; Commonwealth Bank of Australia 2005; National 2005; Westpac 2005).

4.5.3 The Impact of Deregulation

One recent change to have occurred in the banking industry is deregulation. Upon the recommendation of the Campbell committee’s financial system inquiry (Campbell et al. 1981) deregulation of the Australian financial system commenced in 1983 with the floating of the Australian dollar (Singh 1991; Wallis et al. 1997). The Campbell committee’s deregulation recommendations were aimed at enhancing Australia’s financial system by facilitating greater competition, increasing efficiency, facilitating greater international competitiveness and allowing a wider choice and quality of financial products (Campbell et al. 1981; Wallis et al. 1997).

According to the subsequent Wallis Financial System Inquiry (Wallis et al. 1997), deregulation has largely been successful in Australia with “most of these objectives achieved to some extent, albeit not always to the full extent expected, and often assisted by parallel developments” (p.563). Deregulation has been one of the key factors which have led to the consolidation of the major banks in Australia in an effort to remain internationally competitive (Wallis et al. 1997). This is consistent with Lowe and Kuusisto’s (1999) model presented in Figure 7, where deregulation was shown as a precursor to increased competition, and
increased competition as a precursor to consolidation in the banking industry. A bi-product of this consolidation had been the reduction in bank branches where duplication in branch access occurred.

One of the outcomes of financial deregulation lamented upon by Dr. H C “Nugget” Coombs (Governor of the Reserve Bank, 1949-1968, and prominent Australian) was that banks became “[l]ike any retail organisation, the main aim of banks now is to increase profits. Social responsibility is no longer a key concept for the major Australian banks in a deregulated financial system” (Singh 1991: 188). This is partly because the key focus of banks in an environment of higher competition is profit maximisation and shareholder value (Cousins 1995). Lowe and Kuusisto (1999) identified deregulation as one of the fundamental changes which leads to an erosion of institutional stature of banks (see Figure 7).

4.6 Institutional Attributes and Banking

Gaps in the literature emerge upon consideration of the role of institutional attributes and their impact on consumer trust in retail banks. As stated in section 4.4, institutional attributes have a positive relationship with trust building. However the institutional attributes of retail banks in Australia have not been clearly defined in the literature. Lowe and Kuusisto (1999) broadly stated that community embeddedness was an attribute of the institutional stature of banks.

When reviewing Metlay’s (1999) seven institution-based trust antecedents: openness (willingness to be forthcoming), reliability and consistency in its actions, seen as having integrity and being honest, being credible, seen as being fair, seen as being caring and concerned, and seen as being competent, and also the attributes identified by Hughes (1936) and Sztompka (1999): that they appear to be stable, predictable, accountable and consistent, these appear to broadly encapsulate many of the traditional roles of financial institutions presented in section 4.5.1.

Banks and particularly bank branches have strong historical roots in towns and communities (Butlin 1961; Lowe & Kuusisto 1999; Singh 1991, 2004) and this reflects the stability, reliability and consistency attributes of institutions.
Furthermore, the prominence of the local bank manager (Butlin 1961; Lowe & Kuusisto 1999; Singh 1991, 2004) as a trusted figure in communities also serves to add to the honesty and credibility of the institution. Also, perceptions of social responsibility (Cousins 1995; Singh 1991; Weerasooria & Bagaric 2001) reflect the credibility, honesty, integrity and the caring attributes identified by Metlay (1999). However, these banking attributes need to be tested to confirm that they do in fact add to the perceived institutional stature of banks.

4.7 Deinstitutionalisation and Banking

There is preliminary evidence to suggest that many banks are reducing their focus on the aforementioned institutional attributes (Lowe & Kuusisto 1999) and in many cases ignoring or reneging on their institutional status in the community. Two of these attributes, bank branch closures and reduction of local community focus, are discussed in the following sections.

4.7.1 Bank Branch Closures

Considering that bank branches and bank branch elements were identified as potential institutional elements of banks, it is important to understand the current changes occurring. The overall number of bank branches in Australia has reduced by 29.4 percent (Australian Prudential Regulation Authority 2000, 2004) over the last fifteen years (See Table 3). Focussing on the major banks, Table 3 shows that all four banks have reduced their number bank branches over the past fifteen years. With the major banks serving 62.7 percent of Australian consumers as their main financial institution (Wallis et al. 1997) and others likely to use these banks for supplementary accounts, it is probable that a substantial proportion of the Australian population has been affected by these closures.
Table 3  Bank Branches Numbers

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ANZ</td>
<td>1,092</td>
<td>1,094</td>
<td>1,260</td>
<td>1,209</td>
<td>1,170</td>
<td>1,186</td>
<td>1,170</td>
<td>995</td>
</tr>
<tr>
<td>CBA</td>
<td>1,282</td>
<td>1,813</td>
<td>1,806</td>
<td>1,756</td>
<td>1,622</td>
<td>1,575</td>
<td>1,400</td>
<td>1,334</td>
</tr>
<tr>
<td>NAB</td>
<td>1,286</td>
<td>1,273</td>
<td>1,261</td>
<td>1,248</td>
<td>1,233</td>
<td>1,214</td>
<td>1,182</td>
<td>1,119</td>
</tr>
<tr>
<td>Westpac</td>
<td>1,301</td>
<td>1,301</td>
<td>1,299</td>
<td>7,064</td>
<td>1,100</td>
<td>1,092</td>
<td>1,031</td>
<td>950</td>
</tr>
<tr>
<td>Bendigo Bank 7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>75</td>
<td>69</td>
</tr>
<tr>
<td>Total Banks 8</td>
<td>6,921</td>
<td>6,917</td>
<td>6,920</td>
<td>7,064</td>
<td>6,747</td>
<td>6,655</td>
<td>6,508</td>
<td>6,121</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>%Ch.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANZ</td>
<td>820</td>
<td>807</td>
<td>800</td>
<td>755</td>
<td>728</td>
<td>729</td>
<td>730</td>
<td>-33.2</td>
</tr>
<tr>
<td>CBA</td>
<td>1,218</td>
<td>1,151</td>
<td>1,076</td>
<td>1,053</td>
<td>1,008</td>
<td>1,004</td>
<td>1,003</td>
<td>-21.8</td>
</tr>
<tr>
<td>NAB</td>
<td>1,048</td>
<td>1,078</td>
<td>1,053</td>
<td>896</td>
<td>841</td>
<td>793</td>
<td>787</td>
<td>-38.8</td>
</tr>
<tr>
<td>Westpac</td>
<td>1,061</td>
<td>924</td>
<td>704</td>
<td>806</td>
<td>820</td>
<td>820</td>
<td>816</td>
<td>-37.3</td>
</tr>
<tr>
<td>Bendigo Bank 7</td>
<td>76</td>
<td>80</td>
<td>88</td>
<td>180</td>
<td>329</td>
<td>353</td>
<td>390</td>
<td>+420.0</td>
</tr>
<tr>
<td>Total Banks 8</td>
<td>5,615</td>
<td>5,358</td>
<td>5,005</td>
<td>4,789</td>
<td>4,843</td>
<td>5,858</td>
<td>4,888</td>
<td>-29.4</td>
</tr>
</tbody>
</table>

1 30 June (Australian Prudential Regulation Authority 2000)
2 30 June (Australian Prudential Regulation Authority 2001)
3 30 June (Australian Prudential Regulation Authority 2002)
4 30 June (Australian Prudential Regulation Authority 2003)
5 30 June (Australian Prudential Regulation Authority 2004)
8 All bank branches in Australia (including the five specified banks)

The impact of these branch closures has been greatest in rural and regional towns (Beal & Ralston 1998; Hawker et al. 1999; Ralston & Beal 2000). In many cases these reductions have meant the last bank branch closing in a town or community (Beal & Ralston 1998).

Over the same period, significant numbers of electronic banking facilities have become available or more prevalent. ATMs (Bank of New South Wales) were introduced in 1980, EFTPOS was introduced by Westpac in 1983 and became nationally linked in 1989 (Singh 1991). Automated telephone banking services became available in the early 1990s and Internet banking became available in the late 1990s. However because of their relatively recent availability in Australia (in comparison to branch services), it is unlikely that they would fulfil the general institutional attributes for banks, in a similar way to bank branches as identified in section 4.6.
When looking at the impact of bank branch closures, Ralston and Beal (2000) concluded from their study of six rural towns in the states of New South Wales and Queensland (Australia):

> While the initial impact of branch closure was significant to the economy of the towns examined, changes over the intervening period appear to have been for the better as communities make the transition to living without a local bank branch. (Ralston and Beal 2000: 93)

Likewise, Beal and Ralston (1998) stated that “people [in communities where the last bank has closed] make reactive adjustments to their operations to cope with change” (p.59) in the longer term, particularly in light of electronic alternatives to branch services widely available. Although the economic implications of the bank branch closures in communities are likely to be minimal in the longer term (Beal & Ralston 1998; Ralston & Beal 2000), the social implications are likely to be more profound (Argent & Rolley 2000; Hawker et al 1999; Smailes 2000).

### 4.7.2 Reduction of Local Community Focus

One of the indirect outcomes of fewer bank branches has been reduction in the perceived focus on individual communities by the banks. As earlier stated, bank branches have traditionally been considered part of the social fabric towns and communities in Australia (Hawker et al. 1999). This means that financial institutions have traditionally been seen an integral or embedded in communities (Lowe & Kuusisto 1999).

When looking at communities in the United States of America, Allen and Dillman (1994) noted an evolution in institutional community focus in small towns and communities over time (see Figure 9). They broke-down the evolution process into three key eras which have occurred over the last century.
In the Community Control era, which was dominant in the early twentieth century until the 1950s, technological, social and economic forces act in mutually supportive ways to strengthen internal ties within a community (Allen & Dillman 1994; Dillman & Beck 1986; Dillman et al. 1989). This means that links between society’s members (people and organisations) were stronger, as “community exerts a powerful influence over residents” (Allen & Dillman 1994: 28). The Mass Society era, which was dominant between the 1950s and the end of the 1980s, is where outside organisations and institutions exerted greater power over community residents (Allen & Dillman 1994). Ties of individuals to society as a whole were strengthened at the expense of local community ties with people and organisations. The final era, Information Age, is in its early stages, and is a result of forces that weaken hierarchy and strengthen people’s ties with the global economy, irrespective of national and or community ties (Allen & Dillman 1994; Dillman & Beck 1986; Dillman et al. 1989). At this stage, it is proposed that some communities will become restored and supplemented by national ties and extranational ties (Allen & Dillman 1994).
Current trends in the Australian banking industry reflect the characteristics of the mass society era with most banks exerting power from a national level, supplemented by reductions in branch numbers in communities (see Table 3), symptomatic of and resulting in weaker bonds between individual community members (people and organisations).

The preliminary study results presented in Chapter 5 show a counter example to the current trend of reduction in branch numbers. The Community Bank scheme has been taking a different tack with growth of their business. Table 3 shows that the Bendigo Bank has had an overall net increase in the number of bank branches in more recent years, with a considerable proportion of these new branches being part of the Community Bank scheme.

4.8 The Gap in the Literature
The review of the literature has failed to encounter any published book or article which comprehensively and definitively explores the relationship between the proposed institutional attributes of banks and consumer trust. Lowe and Kuusisto (1999) alluded to a connection between these attributes and consumer trust, however this paper was conceptually based and lacked empirical confirmation of such a connection. Furthermore, Lowe and Kuusisto (1999), when defining institutional stature, were not specific when defining institutional attributes.

The literature reviewed in this chapter presented some general institutional attributes: openness, reliability, consistency in actions, integrity, honesty, credibility, fairness, caring and concerned, competence, stability predictability and accountability (Hughes 1936; Metlay 1999; Sztompka 1999), which were identified as leading to institution-based trust. However these attributes were ambiguous at best, making it necessary for the development of more specific and measurable attributes applicable for financial institutions. Three specific attributes which incorporated elements of the general institutional elements were proposed in this review. Preliminary evidence from exiting literature was presented to support them, but these specific banking institutional attributes need testing before they can be confirmed as precursors to consumer trust in their banks.
When looking exclusively at the *social obligations* attribute of the banks, there appears to be no conclusive guidelines as to whether banks do or do not have social obligations which need to be fulfilled.

When looking at the proposed institutional attributes of banks which may have an impact on consumer trust, it is also advisable to note that these identified attributes can only be used as a starting point. It is unlikely that these three attributes are the only institutional attributes for banks. Exploratory research would need to be undertaken to deduce if there are further complementary institutional attributes.

If the proposed institutional attributes are antecedents to trust (specifically institution-based trust), the seemingly obvious deduction to be made would be that the deinstitutionalisation process (or erosion of institutional stature) would lead to an erosion of trust. However, to date there are no studies examining the relationship between trust and deinstitutionalisation process, particularly in a bank-to-consumer relationship.

### 4.9 Summary

This chapter reviewed existing literature, mainly from sociological and historical perspectives, which investigate the relationship between institutions and trust. Attributes of institution-based trust were reviewed from a number of sources. However, gaps in the existing literature were found when attempting to translate this body of existing research to a consumer banking context.

When reviewing the literature pertaining to retail banking, it was evident that many of the proposed institutional attributes for most Australian retail banks were undergoing a process of erosion. Conversely, the Community Bank scheme (see section 1.5.4 for explanation), run by Bendigo Bank, on early examination appears to be “manufacturing” institutional stature, by augmenting the proposed institutional attributes. The next chapter presents a preliminary study that examines the Community Bank scheme.
5

Preliminary Study

Community Banks in Australia: A News-Print Media Analysis

5.1 Overview

This chapter follows on from a paper submitted and presented at the Western Decision Sciences Institute Annual Meeting 2003. An abbreviated version of this can be obtained from the Western Decision Sciences Institute (WDSI) 2003 Proceedings for the Thirty-Second Annual Meeting in April 15-19, 2003 in Kauai, Hawaii, United States of America (Parker 2003).

The aim of this study was to analyse the marketing and communications practices of a small regional Australian bank with the findings of a print media analysis, and to compare and contrast them with conventional larger banks. The study investigates the role of the bank branch for the bank, customer and community with both bank formats. A significant disparity was found in the approaches taken by both types of bank with regard to the roles imposed upon the bank branches. Based on the findings it is suggested that the model used by the smaller bank has significant advantages and is worthy of further investigation.
5.2 Introduction

Recent decades have seen many major changes in the service delivery of retail banking to Australian customers. These changes are largely resultant of the introduction and growth of electronic banking services including Internet banking. Concurrently and perhaps partly symptomatic of this increase has been the significant reduction of the conventional branch networks of the four major Australian banks (Argent & Rolley 2000; Kaynak & Whiteley 1999; Reserve Bank of Australia 1996; Wallis et al. 1997).

Many communities, especially rural ones, have been “marginalised” (Argent & Rolley 2001: 183) by the major banks, which have been progressively withdrawing conventional bank branches from less profitable smaller communities (Cousins et al. 1995; Reserve Bank of Australia 2004; Wallis et al. 1997). This change in service delivery by the major banks has led to two unfavourable results for the communities they have evacuated. Apart from the decrease in the overall services available to these communities, this reduction has also had broad social consequences (Argent & Rolley 2000; Cousins 1995). In smaller and rural communities banks not only provide financial services, but also have a symbolism that can be partially linked to the institutional stature (Beal & Ralston 1998; Hawker et al. 1999; Lowe & Kuusisto 1999; Singh 1991; Sztompka 1999) attached to them.

5.3 Background

In the past in small towns, the social role of banks was very much in the context of community building (Singh 1991, 2004); it was one of the first buildings to be built in an established community (Lowe & Kuusisto 1999; Singh 1991). As stated in Chapter 4 (section 4.5), historically banks’ branches have had high standing as local institutions in small and country towns (Hawker et al. 1999; Singh 1991) and seen as symbols of solidarity and prosperity (Hawker et al. 1999).

The question of social roles of banks in communities in Australia has been the subject of much debate within academe and also the wider community. Issues of social and moral obligations of banks have been debated ad infinitum by the
academic and broader community (e.g. Cousins 1995; Francis 2000; Weerasooria & Bagaric 2001), no definitive set role guideline has ever been established. Regardless of the vagaries of the social and moral obligations of banks, what has been neglected to a large extent are the possible commercial benefits of positive social positioning in the community by banks.

An example of this positive social positioning has come from a small regional bank, from the state of Victoria. Whilst most banks in Australia have been reducing their conventional branch networks, Bendigo Bank, a small regional bank, has been increasing its branch network throughout Australia. This network size increase has been partly a result of the introduction of their Community Bank scheme. The Community Bank branches differ from conventional branches in the way they are established. Community Bank branches are capitalised for the start up and establishment costs (around A$400,000 to A$500,000) by local community members of the towns or suburbs where the bank is to be established (Bendigo Bank 2005a). The scheme has parallels to that of a co-operative scheme where many of the investors/shareholders of the bank are also customers. Shareholders of the Community Bank branches are restricted in the amount that they are allowed to invest into the start up of the branch. This restriction facilitates the establishment of a broad shareholder base. Profits made by the branches are then shared between the Bendigo Bank and the community’s shareholders. In many cases significant profits have been made by the Community Bank branches, with part of the profits providing dividends for the initial investors and in some cases part being invested in community projects and programs.

Community Bank branches offer many services and include full over-the-counter banking facilities similar to those provided by conventional bank branches. Between June 1998 when the first Community Bank branch opened and early December 2004, 132 branches have opened (Bendigo Bank 2005a). Community Bank branches are now located in most states and territories of Australia.

The Community Bank scheme is by no means a revolutionary new concept designed for communities disenchanted with banks in the 1990s and 2000s. From an historical perspective, there are striking similarities between the Community Bank scheme and the friendly societies that began in the late nineteenth century in
Australia (Blainey 1999; Green & Cromwell 1984), likewise, the credit unions beginnings in the mid-twentieth century in Australia (Crapp & Skully 1983, 1985; Ferguson & McKillop 1997). In both cases these schemes were created in direct response to community isolation and reduction in “communal identification” a concept alluded to by Ferguson & McKillop (1997: 15). “Cooperation of all types can be looked upon as an attempt by farmers, craftsmen and other small producers both to improve their position in a non-feudal, modern industrialised society and also, at the same time, to regain social relations based on community identity” (Ferguson & McKillop 1997: 15). Credit unions also have a reputation for being stable and long lasting and their success has been attributed to a “strong internal culture and a strong commitment to non-financial values” (Jarred 2001: 7).

The Community Bank scheme differs from friendly societies and credit unions in that it is established through a partnership between the respective community investors and an already established banking entity. In the case of a Community Bank branch, not all account holders are shareholders in the bank. This enables some potential profits from the Community Bank scheme to be retained by Bendigo Bank.

The Community Bank scheme thrives in an environment of economic rationalism and disenfranchisement in the rural community. According to Argent and Rolley (2000: 183), perceived lack of adequate banking facilities by rural communities has been “[o]ne of the key foci of the recent rise of rural dissatisfaction with many established political processes and institutions in Australia”. Hawker's (1999) Australian federal government report into regional financial services observed that “more than a loss of confidence in the economy” (p.29) occurs in the communities which have had their conventional branch services rationalised, moreover these communities have felt an impact on their “social fabric” and “social capital” (p.29).

Communities in some suburban areas are also proving to be potential markets for the face-to-face services offered by Community Banks. Does the form of banking afforded by the Community Bank scheme provide these marginalised communities with services which are essential and require a branch to fulfil? Or, is the prime reason for the rapid expansion and success of the Community Bank
scheme symptomatic of communities looking to recreate the symbolism of a banking institution to which they had become accustomed?

Being a somewhat new phenomenon in banking in Australia the full implications of these banks have not yet been measured. A number of Australian state and federal government reports have investigated the political and social ramifications of the schemes (e.g. Griffith 2000; Hawker et al. 1999; Jarred 2001; Lucas et al. 2002). These reports have, for the most part, supported the Community Bank scheme. Moreover these branches have been mooted as a reasonable replacement for conventional bank branch services (Jarred 2001; Lucas et al. 2002).

Apart from government reports, a relative lacuna of knowledge and data exists about the full implications of the Community Bank scheme on the communities. This void can partly be attributed to the relative infancy of the Community Bank program in Australia (less than 6 years). Furthermore many of the social and economic implications would need to be measured longitudinally to understand the full impact of these bank branches on their respective communities. Many of these implications will be unable to be measured in the short to medium term.

The aim of this preliminary study is to provide an account of the recent emergence of the Community Bank scheme. Furthermore it aims to analyse the way the Bank communicates to prospective communities. Moreover these emerging themes and communications will be contrasted with that of traditional larger banks.

5.4 Method
In this study, the source of data used was that of news-print media articles, which were collected and analysed to provide an overview of general media portrayal of the Community Bank scheme. This exploratory study employed systematic analysis of an extensive array of news-print articles. The framework for analysis of this data therefore emerged as the themes were deciphered from these news-print articles (Miles & Huberman 1994; Ryan & Bernard 2000). The degree of recurrence of the deciphered themes in the literature analysed provides an impression of messages communicated in the sample of literature and furthermore allows a quasi-statistical representation of these deciphered themes (King 1994).
5.4.1 Data sources
An Australian news-print media analysis provided the basis for qualitative evaluation of the Community Bank scheme in the Australian market using content analysis (Miles & Huberman 1994; Ryan & Bernard 2000). The print media search encompassed Australian national, city and regional newspapers and news gatherers, with articles collected between March 1998 and March 2002 containing the keywords “Community Bank”. Articles from individual local newspapers were neglected in this survey due to the logistical difficulties in obtaining articles from such wide sources. However, surveying only national and regional papers allows for understanding of general themes in the media and the media releases from the Bendigo Bank head office.

5.4.2 Analysis
Emerging and recurrent themes from 406 print articles were examined and collated. The extent to which certain themes arise in the news-print were then tallied and ranked in order of recurrence. Each news-print article had between one and four main themes deciphered from it. It was evident that a significant proportion of these news articles were based primarily on that of media releases of Bendigo Bank. The results of this examination provide a rich picture of the way Bendigo Bank wishes to communicate its Community Bank scheme, and to an extent mirror the media and community responses to the scheme.

5.5 Discussion of Emerging Themes
A significant number of the articles analysed were either direct media releases or evidently based on media releases. Many of these articles were reporting on the opening of new Community Bank branches. This was particularly apparent when, in numerous instances, upon opening of a new Community Bank branch, news gathering agencies would carry media releases from Bendigo Bank, which in turn would be extrapolated and reported in numerous major and regional newspapers. There was rarely any in-depth or critical analysis undertaken on the Community Bank scheme. Moreover, the majority of the articles analysed provided little examination into the full implications of the banking scheme, other than to extol the supposed virtues of the scheme. The media sample in general conveyed
apparent receptiveness to Community Banks being an effective replacement for major banks, and in many cases used the article as a platform to comment on the major banks in general.

When looking at the content analysis of the data gathered, the key themes deciphered from the print media analysis \((N = 406)\) were:

<table>
<thead>
<tr>
<th>Theme</th>
<th>No. of articles</th>
<th>% of articles</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Community Banks are profitable</td>
<td>72</td>
<td>17.7%</td>
</tr>
<tr>
<td>2. Community Banks working with small communities</td>
<td>70</td>
<td>17.2%</td>
</tr>
<tr>
<td>3. Local businesses support Community Banks</td>
<td>54</td>
<td>13.3%</td>
</tr>
<tr>
<td>4. Small communities fight back</td>
<td>47</td>
<td>11.6%</td>
</tr>
<tr>
<td>5. Community Banks versus the major banks</td>
<td>42</td>
<td>10.4%</td>
</tr>
<tr>
<td>6. Community Banks are in touch with small communities</td>
<td>41</td>
<td>10.1%</td>
</tr>
<tr>
<td>7. Major banks are out of touch with small communities</td>
<td>37</td>
<td>9.1%</td>
</tr>
<tr>
<td>8. How to set up a Community Bank</td>
<td>31</td>
<td>7.6%</td>
</tr>
</tbody>
</table>

This table shows the eight most prevalent themes (of a total of eighteen) deciphered from the literature. Some of the articles analysed contained more than one theme.

This summary table shows the main themes derived from the content analysis. Many of the themes have commonalities and could be clustered. For example, themes 2, 4 and 6 are similar in that they reflect the role of the Community Bank and being part of, or supporting the small community. Similarly, there are inherent linkages between themes 5 and 7. Both of these themes contrast the services and actions of the major banks and Community Banks. In most cases the latter received a more favourable reportage. These key themes are further explored below.

**5.5.1 Community Banks are Profitable**

An interesting message that appears to be presented through the media releases from the Bendigo Bank is the promotion of the apparent profitability of the Community Bank scheme. A significant number (17.7%) of the articles analysed made reference to the profitability of the banking scheme. One could hypothesise that this could be linked to the reassurance afforded to potential shareholders and stakeholders that the Community Bank is not a “fly-by-night” operation, and that
it is a viable operation which has the same financial feasibility of that of its
traditional bank counterparts. This is particularly important for rural communities,
where a significant proportion of potential customers are conservative and
security oriented (Kaynak & Whiteley 1999). This message would also have the
secondary benefit of further fuelling the already widespread antipathy towards the
major banks.

5.5.2 Local Businesses Support Community Banks

According to the accounts in the articles sampled, local business owners initiate
all but a few of the Community Banks’ steering committees. These are the
community members which have a significant commercial stake in the banks’
success. This was evident in the prevalence of theme 5: Local businesses support
Community Banks, (13.3%) in the literature analysed. The advantages to local
businesses include: increased potential customer traffic (i.e. customers don’t have
to go to other towns to bank and for other tasks) and the business banking
facilities involved in a physical branch (Jarred 2001). As the scheme has grown
in its reach, local, state and federal governments have been quick to try to
associate with the positive political overtones associated with it. This association
has ranged from the state governments, including Queensland and Western
Australian governments providing assistance or grants for feasibility studies for
Community Banks (Department of Local Government and Regional Development
2004; Greber 2000; Jarred 2001; Vaisey 1999), to various local councils
symbolically transferring accounts to local Community Banks. Associating with
the “people’s bank” apparently makes good political sense.

5.5.3 Community Banks are Australian “Battlers”

One of the most significant themes and imagery used by the newspapers was the
parallels drawn between the Community Bank scheme and the Australian
“battler” imagery. The Australian term “battler” is one that refers to an “underdog
who is fighting the top dog” (Horne 1964: 25). This “battler” zeitgeist has
manifested itself in some ways into a prevailing Australian populist form of
egalitarianism (Thompson 1994; White 1981) of a “fair go” for all (Horne 1964;
The “battler” legend can be traced as far back as Australian bushranger Ned Kelly, who is often portrayed as the “protector of the little people, the ordinary battlers, from the depredations of ruthless big business…” (Kapferer 1996: 58). More recently this “battler” imagery has been exploited by various entities, from politicians (Kapferer 1996) to appeal to the broader community for political gain, and more recently by businesses including multinational organisations who wish to be perceived as an underdog to enhance community support for commercial gain. It appears that Bendigo Bank has also been keen to market itself as the underdog in the banking sector and forging close ties with the community it co-habits has enabled it to achieve a “small bank” status. This was apparent with articles that contained themes 5 and 7, where Community Banks and major banks were compared and contrasted. Bendigo Bank has been successful in exploiting to its own advantage the Australian idea of supporting the underdog. Concurrently, Community Banks are also likened to being moral bastions for the “battlers” (e.g. Aylmer 2000; Mason 2001).

5.5.4 Community Banks and Altruism
The Community Bank is more or less portrayed as a scheme designed for altruistic intentions. “In an age of rampant individualism, it appears there are still people [Bendigo Bank] wanting to make a clear statement, that for them, economics are not everything.” (Ormonde 2000: 4). However, being a public company with shareholders means that Bendigo Bank’s profit obligations to its shareholders are of primary concern. This fact is in many cases overpowered in news-print media by the message that the Community Banks were working to help the “battlers”.

The term “battler” appears quite regularly, with the bank sometimes referred to in the sample as the “battler’s bank” (e.g. Boylen 2000; Gearing 1999; Iliffe 2000; Ormonde 2000). This and the use of monikers such as “Peoples’ Bank” and equivalent terms evoke a sense that Bendigo Bank is on a moral quest to champion the needs of communities. This is both reported by and reflected in the print-media analysed. Furthermore, these terms may reflect the communities’ perceptions of and attitudes towards the Community Banks.
5.5.5 Community Ownership

Also represented throughout the news was the use of the first person possessive when referring to Community Banks. Community Banks were regularly referred to as “our” bank, whereas major bank branches were almost always referred to ignoring any possessive pronoun, unless of course they were closing down! This is an important distinction as it implies that the communities have some form of ownership of the Community Bank branches as opposed to just being served by them. This enhances the bank’s entrance into the community’s collective psyche as something that is an integral and inseparable part of the community. Furthermore, the use of possessive pronouns reflects the ownership of the banks by a community, even though in reality the actual shareholders are a minority of the community’s members. It establishes the bank branch as something that should be supported on the basis of overall community loyalty and welfare.

5.6 The Role of the Bank Branch

The analysis shows that there is a significant disparity in the methods used by the conventional banks by comparison to that of the Community Bank scheme to market to the end consumer. The major banks, in the main, market themselves with the brand of the banks as central. This is reflected by the blanket marketing and communications programs employed by the centralised bank head office. In contrast, the individual Community Bank branches appear to have a little more autonomy with their marketing programs. At the individual community level, a significant amount of marketing activity occurs. This could be partly attributed to the planning, development and opening processes of each individual branch. As stated earlier, much of the early groundwork for the development of a Community Bank branch comes from local businesses and local community leaders. It is in the interests of these businesses to initiate the process of planning, because they appear to have strong commercial imperatives to do so.

Planning and proposal stages of the development process require the involvement from local community members both in time and monetarily. This could further fuel the perceived social obligation for community members to open accounts at the bank branch. It places an onus on the community members to “support” the bank as it is in the supposed best interests of the community. Much of the media
analysed portrays the Community Bank as something that should be supported rather than something that the customer should transact with. If there is no implied social obligation, the transaction is merely something that occurs between the customer and the bank. However the Community Bank scheme is effective in transferring obligation through to potential customers residing in the community. In effect the bank being seen to be supporting the community provides an onus on the community members to support the bank.

5.7 Implications
It was evident from this preliminary study that, for the Bendigo Bank / Community Bank scheme, the bank branch is central to communications through the media. It is postulated that the Community Bank scheme’s communications are designed to promote a relationship between the customer and the individual bank branches. This results in the Community Bank branch becoming embedded in the community. This is illustrated in the following model that shows the distinct ways in which each type of bank markets and communicates to its potential customers.

![Figure 10 Bank-Customer Relationship](image)

Figure 10   Bank-Customer Relationship
This representation may also reflect how customers identify with both types of branch. Central to the marketing and communications of the Community Bank scheme is the bank branch. This is evident in the messages conveyed in the print media. This micro-nodal approach has a dual benefit: it facilitates the establishment of a stronger relationship and embeddedness with the community it inhabits and it further reinforces the small bank or “battler” image of the bank.

A preponderance of Community Bank branch openings of the Bendigo Bank were reported in the media sample collected. Considering that the sample collected neglected local papers, this is a remarkable feat. It could be safely assumed that relevant local newspapers would have significant reportage on the bank branch openings also. This emphasises the importance placed on each individual branch for the bank and further reinforces the aforementioned “battler”, small bank image. This enhances the importance of the bank branch for the bank and it shifts the wider community’s focus towards the individual bank branches.

In contrast, the communications of the major banks tend to focus on the brand, and are largely created, disseminated and controlled by a central head office. The communications appear to be promoting the relationship between the potential customer and the bank as an entire entity. The major banks are marketed with the brand image of the bank taking the central role, with the bank branches providing a peripheral role. This could mean there is a significant difference in the relationship between customer and both types of bank. It is anticipated that customer of a Community Bank identifies primarily with the branch and the bank brand takes a secondary role. The major banks’ customers identify primarily with the bank or bank brand, and the bank branch as merely a service offered by the bank. The relationship between the individual bank branch and customers of the major banks is weaker than the relationship between a customer and a Community Bank branch. However more research is needed to provide a greater understanding between the differences between the relationships between customers and the relevant type of bank branch.

5.7.1 Micro-Nodal Marketing

The Community Bank scheme to a large extent has stemmed from isolated communities seeking over-the-counter banking services. This follows an historical
trend as both credit unions’ and friendly societies’ instigation and development in Australia stemmed from movements seeking financial services for neglected communities (social and geographic). The Community Bank scheme appears to be a quasi-cooperative movement where the Bendigo Bank plays the facilitator role. In this situation some individuals become shareholders and a significant number of individuals become stakeholders, in terms of being customers and community members. Where the credit union’s development is largely controlled and arranged by the community it inhabits, the Community Banks are developed by the communities in conjunction with the Bendigo Bank as facilitator.

In the case of the Community Bank, the branch is marketed as belonging to the community it inhabits. This means the branch has the central role in the relationship between the customer and the bank. Like the aforementioned credit union and friendly society movements in Australia, the Community Bank scheme can attribute much of its success to its ability to read the broader communities’ prevailing attitudes and then being able to design a mutually beneficial solution on a community-by-community basis. The Community Bank scheme has tapped into the needs of individuals for communal identification, and likewise local businesses needs for commercial stability.

5.8 Summary
Larger banks tend to promote themselves as large, robust and prudent, whereas Community Banks adopt a “grass-roots” (John Goddard, Chief Operating Officer of Bendigo Bank in Branelly 2001: 3) approach to embedding themselves in a community. This sense of embeddedness that occurs within the individual communities can be partly attributed to the partial ownership of the Community Bank branch by some of the locals. It can also be attributed to the processes involved in the development of a branch and is further enhanced by widespread community perception of Bendigo Bank’s supposed social altruism, partly aided through positive media coverage.

Each individual Community Bank branch’s business structure is almost a microcosm of the major banks’ business structures and marketing systems. In the case of an individual Community Bank, some local community members are
shareholders in the local branch. The local Community Bank branch markets itself to the same community, by presenting itself as an intrinsic community entity or institution. This contrasts with major national banks where in most cases their shareholders are nationwide. In turn the bank markets itself Australia wide as a national or Australian institution. In this way the Community Bank retains its small “battler”/underdog status, by marketing in decentralised multiple micro-nodes rather than the major banks’ centralised approach to marketing. Although management of individual Community Banks is not completely autonomous of Bendigo Bank’s head office, marketing and promotion of the branches is aimed towards the individual communities they are located in, rather than the blanket approach taken by the major banks.

Historically this marketing approach used by the Community Banks is reminiscent of the bank branch manager as a central figure of the communities they inhabited (Singh 1991). However the Community Bank embeds itself in a community in a distinct way by support, both financial and moral, of the local businesses and community members.

Much remains to be learnt about the micro-nodal approach to marketing and communication in a small community context. Whilst the research method used in this preliminary study is valid, it provides an exploratory framework and is at best a starting point from which further research should be undertaken. Research into the role of the Community Bank or other similar financial institutions in a rural or (smaller) suburban community context is currently in its seminal stages. The development of such organisations warrant closer investigation. This could potentially provide a better understanding of the Community Bank phenomenon, and may have implications for other types of businesses functioning at a community level.

Many of these present gaps in the research are addressed in the major study and the consumer survey undertaken. The results of this major study are presented in later chapters.

This ends the preliminary information gathering and theory formulation phases (Sekaran 2000, 2003) of this thesis. The present gaps identified in the literature in
chapters 2, 3 and 4, and the research gaps shown in this chapter will be discussed in Chapter 6. Chapter 6 discusses these gaps and presents the related research hypotheses which are addressed in the major study.
6 Hypotheses Development

6.1 Introduction
In the major study, consumers’ perceptions of the trustworthiness of banks are tested through the confirmation or disconfirmation of various designated hypotheses as prescribed in the hypothetico deductive process (Sekaran 2000, 2003) outlined in section 7.2.1.

The aim of the chapter is to draw together the literature reviewed in Chapters 2 to 4 and the themes and questions that emerged from the preliminary study in Chapter 5. More specifically the hypotheses development chapter attempts to delineate the gaps in the current academic body of knowledge in the areas of consumer trust and institutional stature. Firstly the five underlying research questions are explained in section 6.2, and then finally the research hypotheses that have been designed to explore the issues outlined in the research questions (Malhotra 1996) are presented.

6.2 Key Research Questions
The key research questions that are investigated in this study revolve around consumer trust and the evolving nature of the banking institutions.
6.2.1 Are bank branches necessary antecedents of consumer trust in a retail banking entity?

Literature analysed in Chapter 3 largely confirmed that physical presence and tangibility are antecedents to consumer trust in pure services (Dabholkar 1994; Devlin 2000; Seiders & Berry 1998). Yet, banks in more recent decades have been reducing the size of their physical bank branch networks, traditionally the key tangible point of contact for the consumer. Does the reduction of local access to physical bank branches impede a consumer’s ability to trust a bank? Considering that electronic services can offer much of the functional value of a physical bank branch, to what extent the physical branch’s symbolic value provides extra benefit in terms of engendering consumer trust is examined. Also the impact that proximity of physical bank branch facilities has on consumers’ levels of trust is tested.

The assessment to be made on the preponderance of the literature reviewed (particularly literature related to trust and physical presence in Chapter 3) is that the physical network of existing bank branches is an asset in building or maintaining a level of consumer trust. After all many of these branches have been open for a number of decades providing a continuity of service. At the same time many of the day-to-day routine transactions can be made more conveniently outside the bank branches, meaning the focus on bank branch services is not as important as it once was. The key purpose of this line of investigation is to test whether the commonly held contention of the relationship between consumer trust and physical presence of business translates to a banking and bank branch context.

6.2.2 What are consumers’ perceptions of the social roles of banks and bank branches?

Since deregulation of the Australian retail banking industry in 1983 (Singh 1991), significant changes have occurred in the retail banking industry, particularly in terms of changes to the social role of banks. The social role of banks has evolved with the increased competition in the industry (Cousins 1995; Lowe & Kuusisto 1999). Traditionally, the bank had a critical social role in terms of community development (Hawker et al. 1999; Singh 1991, 2004). However this role has developed and evolved, particularly after deregulation, where now shareholder value sometimes overtakes social value as important goals of the bank. One
pressing issue, in terms of consumer relationships, is whether consumers have adjusted to and acknowledged these changes in priorities. Have consumers perceptions of the traditional social role of banks evolved with the banks? Is the provision of physical bank branches considered to be a social obligation of the bank by consumers? Do customers feel that banks have reneged on perceived social obligations and does this reflect the levels of trust they have in these businesses?

As examined in the literature review in Chapter 4, one of the key features of a community institution is that its goals transcend that of mere business objectives. The social function of an organisation is a clear indicator in determining whether it is considered to be a community institution. Research needs to identify whether consumers believe that banks have social roles (and obligations) and what these obligations are. It is also essential to find out how important consumers feel these obligations are, whether the banks adequately fulfil this role now and whether they have in the past. Furthermore, the postulated relationship between perceived social obligation fulfilment and consumer trust requires examination.

6.2.3 Have consumers’ perceptions of the obligations of the bank evolved with the banks’ new technology?

Literature reviewed in chapters 2 and 3 confirmed a link between mutual dependence and consumer trust (Anderson & Weitz 1989; Ganesan 1994; Kumar et al. 1995). Has the banks’ growing reliance on electronic technology for service delivery changed the way consumers perceive them? More importantly, do consumers believe that their relationship with the bank is mutually dependent? Has the greater reliance on technology in service delivery further isolated the consumer and resulted in an overall decline in trust? One key criticism of the reliance on electronic technology by the major Australian banks is that it has, in fact, commodified banking services and has resulted in less competitive distinctiveness that is maintained in a institutional environment (Lowe & Kuusisto 1999).
6.2.4 Is institutional stature a determinant of consumers’ ability to trust the entire banking entity?

Trust is considered to be important in the bank-to-customer relationship, particularly in terms of consumer trust (Lynch 1991; Zineldin 1996). Likewise a relationship between institutional attributes and trust has also been mooted (Lowe & Kuusisto 1999; Lynch 1991; Sztompka 1999). Chapter 4 contains a theoretical discussion of the relationship between people and institutions and how this relates to banks. Hitherto, there have been no studies to investigate whether the concept of institutions and institutional theory are relevant to the Australian retail bank industry in engendering consumer trust.

Key attributes of this institutional stature as identified in chapters 3 and 4 are:

- Social significance of the business, and both social roles or responsibilities of the organisation.
- Historical significance and relative continuity of the business.
- Significant visible and/or physical presence of the business within the community or society in which it operates.
- A higher consideration of social obligations by the business.

Are these attributes of an institution important determinants of consumers’ ability to trust a banking entity? Does this institutional stature have potential commercial benefits for the banks?

This research question builds upon the first three research questions, as the first three examine elements of institutional stature, whereas this question examines what effect banks’ institutional stature has on the development of consumer trust.

6.2.5 Does institutional stature affect consumers’ ability to trust banks in an electronic environment?

An extension of the previous question, however pinpointed towards electronic banking (specifically Internet banking, also EFTPOS, ATM and phone banking), the issues associated with an increased use of technology or electronic delivery of services require further examination. Particularly salient are the issues of tangibility of service and its relationship to consumer trust. Likewise the role of institution-based trust in electronic services deserves consideration. Do consumers
trust electronic banking with the absence of a physical bank branches? Are physical bank branches required to be run in parallel with electronic services to build or maintain trust in electronic services? Has the concept of institutional stature become less important or redundant with the widespread usage of electronic banking services?

The five key research questions are investigated in the major study through the confirmation or disconfirmation of the hypotheses developed and outlined in the following sections.

6.3 Institutional Stature and Banks

Lowe and Kuusisto (1999) spoke of a concept they termed institutional stature that encapsulates attributes of a bank which have enabled them to “commercialise trust” (p.176). These attributes include traditional social and economic roles of bank branches in their communities and historical fulfilment of social obligations. This is consistent with government reports (Cousins 1995; Hawker et al. 1999) that bank branches may also have a social role to play. Banks were identified as contributing to the “social fabric” (Hawker et al. 1999: 29) of communities. However economic rationalism has been seen as a main contributor to the decline in social role of banks in Australia (Cousins 1995).

This said, it is therefore postulated that:

\[ H_1: \] Consumers believe that a bank has a purpose beyond banking services.

\[ H_2: \] Consumers believe that banks have social obligations.

6.3.1 Bank Branches and Local Community

One attribute of institutional stature identified in Chapter 4 was the importance of the visible and physical presence of banks within communities and society. Australian Prudential Regulation Authority (APRA) (2004) and Reserve Bank of Australia (2004) statistics, Argent and Rolley (2000) and Beal and Ralston (1998) confirmed that there has been a reduction in the number of bank branches in Australia over the last decade (see Table 3), most noticeably in rural and regional towns. As earlier stated, in smaller towns the bank branch was a sign of prosperity and was a pillar of the community (Hawker et al. 1999; Singh 1991). With the
diminishing role of physical bank branches in smaller communities, and society at large, it is the researcher’s contention that consumers still believe that banks do in fact have a social role. Furthermore, it is postulated that consumers believe that bank branches are important for the communities that they serve.

**H3:** Consumers believe that bank branches are important for the communities they serve.

**H4:** Consumers believe that bank branches are important for the communities they serve in comparison to other services.

Apart from the less measurable social role of the bank branch, do bank branches still have an important functional role from the point of view of consumers? Many less-complex conventional bank branch services are able to be conducted using self-service electronic facilities. Are these electronic facilities suitable replacement for branch services, or do these services need to be run in parallel with conventional branch services? It is postulated that, although consumers use their bank’s electronic facilities more regularly than their branch facilities, they still believe that the bank branch is important for them.

**H5:** Consumers believe that bank branches are important.

**H6:** Consumers do not use bank branch facilities as often as they use electronic facilities.

When tested, hypotheses 1 to 6 will provide an indication of consumer perceptions of the social and functional roles of conventional bank branches; furthermore they will also provide a rudimentary understanding of the depth of the relationship consumers have with conventional bank branches.

### 6.4 Banks and Trust

The focus of this study has been trust, and in particular consumer trust in Australian retail banks. As identified in chapters 2 and 3 there are a number of key factors which influence whether, and to what extent consumers trust a service provider, in this case a bank. Two factors are salient in terms of consumer trust in
the institutional attributes of a bank: power asymmetries between bank and consumer and service tangibility of the bank.

### 6.4.1 Relationship Power Asymmetries

Power asymmetry exists when either the business or consumer is perceived to have greater bargaining power in a relationship (Ganesan 1994). Relationships characterised by power asymmetry are generally less conducive to consumer trust (Anderson & Weitz 1989; Ganesan 1994; Kumar et al. 1995). It has been indicated in the existing literature that power asymmetry exists in the relationship between banks and bank customers, with the customer seen to have less power (Colgate & Lang 2001; Colwell & Hogarth-Scott 2004; Cousins 1995) than the bank. For this reason the following three hypotheses are postulated and will be tested.

- **H7:** Consumers value their relationship with their bank.
- **H8:** Consumers do not believe that banks value their relationship with them as customers.
- **H9:** Consumers believe that their bank does not value them, as much as they value their bank.

### 6.4.2 Physical Presence

Intangibility of services is partly exacerbated by banks’ operating to a large degree in electronic environment, with fewer transactions involving the absolute need for human interface. However this need is likely to vary depending on the consumer’s age. Consumers are increasingly more likely to use electronic (or non-physical presence) facilities such as EFTPOS and Internet banking to conduct simple day-to-day transactions. Because of the multitude of options for customers to interact and transact with the bank, it is hypothesised that the bank branch is considered to be just one option of many of the bank, rather than the primary interface for consumers. It is postulated that customers identify primarily with the bank as a whole (or the bank brand), rather than individual bank branches.

- **H10:** Consumers are less likely to identify with their bank branch than with the banking entity as a whole.
This potentially has important implications for the current consumer perceptions of institutional stature of a bank. In the past, bank branches were the only point of contact for customers, but it is now reasonable to extract that the bank branch plays a lesser role in the bank-to-consumer relationship.

According to the United Kingdom’s National Consumer Council (2000), “Based on their experience of offline business, consumers trust companies they are familiar with” (p.68). For this reason it is postulated that consumers who have had experiences with the physical branches of banks are likely to draw linkages with their Internet presence. This notion of identification with physical and non-physical attributes of an entity was discussed in the implications (section 5.7) of the preliminary study into Community Banks in Australia. It was postulated that Bendigo Bank was using a micro-nodal approach to marketing with their Community Bank scheme and therefore Bendigo Bank consumers were more likely to identify with their local bank branch rather than the banking entity as a whole. This was because of the approach Bendigo Bank was taking to attract more customers: emphasising the importance of the bank branch in individual communities and then urging consumers to support this local branch.

H11: Community Bank customers are more likely to identify with the tangible attributes of their bank than non-Community Bank customers.

In terms of businesses that have both online and physical presences, the relationship between both presences is generally perceived as complementary by consumers (DTI Foresight 2000) and the physical presence may help foster a sense of trust in the online presence (Dubelaar et al. 2003; Parker 2000). One such benefit of the complementary relationship is that if a customer has a difficulty with the electronic service it is possible for them to contact a “real person” in the physical store (Bank branch) (National Consumer Council 2000: 68). Tangible benefits of the physical presence of the physical bank branch will foster a greater likelihood of the consumer trusting the physical store. However, it is also hypothesised that consumers also prefer that the Internet bank presence has complementary physical bank branches as well.
H12: Consumers trust the physical branches of banks more than the Internet presence.

H13: Consumers trust their bank branch’s management and staff.

Likewise, it is also postulated that customers are more likely to trust the banking entity if it has local physical branches to supplement convenient electronic alternatives.

H14: Consumers are more likely to trust banks that have local physical bank branches.

6.5 Deinstitutionalisation and Banks

The key notion of consumer trust is theorised to have a relationship to the concept of institutional stature. In recent decades there has been evidence of many Australian banks de-emphasising their institutional stature (see Chapter 4). For the purpose of this thesis the de-emphasis and divestment of institutional stature is termed deinstitutionalisation.

The Oxford English Dictionary (1989) has a number of definitions for the term deinstitutionalisation, the most relevant for this thesis being the “depriv[ation] of the qualities of an institution”. The key attributes of institutional stature were outlined in section 4.6. The process of deinstitutionalisation for banks involves the divestment of these institutional attributes.

It is postulated that deinstitutionalisation has an inverse relationship to consumer trust in that, as banks divest their institutional stature, consumers begin to trust the banks less. One of the key visible indicators of major banks divesting their institutional stature for consumers is the reduction in bank branch networks. Reasons given for these branch closures were outlined in chapter 4, however the most common of these was to reduce cost.

Significant numbers of the bank branch reductions have occurred in smaller and rural communities (Argent & Rolley 2000; Australian Prudential Regulation Authority 2004; Beal & Ralston 1998; Cousins 1995; Jarred 2001; Reserve Bank
of Australia 2004), resulting in many communities not having any physical branch facilities. It is therefore postulated that:

\[ H_{15}: \] Consumers believe that banks close down branches in small communities because they are unprofitable.

Although consumers like the reassurance of a local bank branch, it is still likely that most of them would prefer to use electronic banking for convenience. Consumer preferences for electronic services will be tested by the confirmation / rejection of these hypotheses.

\[ H_{16}: \] Consumers would prefer local availability of electronic banking services over local bank branch services.

\[ H_{17}: \] Consumers would prefer to use Internet banking over bank branches.

The results of the testing of these hypotheses will provide a rudimentary understanding of whether consumers prefer to use the electronic services of their bank over the services of the bank branch. These hypotheses can also be paired with the results of the testing of hypotheses 3 and 4 to show whether consumers use banks for their primary utility or whether it is the symbolism that is important.

**6.5.1 Consumer Trust**

Deinstitutionalisation is predicted to have an inverse relationship to consumer trust. However deinstitutionalisation is one of many trends that have occurred in recent decades, influencing consumers’ general perceptions of business and government institutions. Changes including a broader range of financial products available, financial services offered by non-traditional financial services providers (e.g. supermarkets and post offices) and more recent issues of corporate corruption and also issues of corporate governance have brought about a change in the broader community zeitgeist towards banks and big businesses in general. It is postulated that there is a perception by consumers that banks are not as trustworthy as they once were.

\[ H_{18}: \] Consumers believe that banks are less trustworthy than in the past.
Although this provides a fairly broad-brush understanding of current consumer trust in banks, it is useful to test because it provides a general benchmark towards whether consumers think that banks are as trustworthy as they were in the past.

Other more specific hypotheses to be tested are:

\[ H_{19} \]: Consumers believe that all the major banks are the same in terms of trustworthiness.

\[ H_{20} \]: Consumers do not trust the major banks as much as smaller banks and credit unions.

Lastly, there has been considerable interest in recent years in the Community Bank scheme operated by the Bendigo Bank. Whilst most banks in Australia have been reducing their conventional branch networks, Bendigo Bank has been increasing its branch network throughout Australia (See Table 3). This network size increase has been partly a result of the introduction of their Community Bank scheme. The Community Bank branches differ from conventional branches in the way they are established. Community Bank branches are capitalised for the start up and establishment costs by local community members of the towns or suburbs where the bank is to be established (Bendigo Bank 2005a). The scheme has parallels to that of a co-operative scheme where many of the investors/shareholders of the bank are also customers.

On the surface, the Community Bank scheme appears to be taking the opposite approach to that of the other major banks. The Community Bank scheme has been increasing the number of its branches, where the major banks are reducing them, moreover increasing community involvement at the branch level.

It is anticipated that this will provide an interesting counterpoint to that of the major banks investigated. It is hypothesised that:

\[ H_{21} \]: Consumers trust Community Banks more than major banks.

### 6.5.2 Social Obligations

“Banks serve fundamental needs on an individual level and at a community level, which has so far sustained their institutional stature” (Lowe & Kuusisto 1999: 
Banks traditionally have had strong links within the community. The banks’ ability to project themselves as fundamental parts of communities (and also government legislation and protection) has brought about both implied and government sanctioned community and social obligations. Social obligations are one of the defining features of institutional stature as established in the literature reviews undertaken. Regardless of whether banks have fulfilled, or should fulfil, these social obligations, it is important to understand whether consumers feel these social obligations exist and whether they are fulfilled.

H22: Consumers believe that social obligations were met in the past.

H23: Consumers do not believe that banks currently meet their social obligations as well as in the past.

Hypotheses 22 and 23 are related to Hypothesis 2 to show whether consumers believe that banks have an obligation to the community and whether they feel these obligations are being met.

6.6 Summary

This chapter outlined the direction of questioning for the primary research component of this thesis. Although the hypotheses testing will form the focus of the data collection and analysis, further testing of consumer variables (such as location, age, gender and bank type) in conjunction with the concepts addressed in the hypotheses. Chapter 7 will outline the methodology to be used in the testing of the hypotheses and ultimately responding to the research questions.
7

Methodology

Consumer Survey

7.1 Introduction

This chapter outlines the research methodology used for the collection of primary data used in this study to address the five underlying research questions:

1. Are bank branches necessary antecedents of consumer trust in a retail banking entity?

2. What are consumers’ perceptions of the social roles of banks and bank branches?

3. Have consumers’ perceptions of the obligations of the bank evolved with the banks’ new technology?

4. Is institutional stature a determinant of consumers’ ability to trust the entire banking entity?

5. Does institutional stature affect consumers’ ability to trust banks in an electronic environment?

The focus of the first stage of the methodology is twofold. Firstly, it aims to develop an approach by which to compare the researcher defined model of the institutional stature of banks developed in Chapter 4 with the consumers’ attitudes towards the institutional stature of banks. Secondly, it aims to develop an approach by which to discover whether there is a relationship between consumer
trust in their bank and the perceived levels of institutional stature of the bank. This objective itself comprises three parts; (1) determining how consumers define trust in their bank-to-consumer relationship; (2) determining whether the attributes of institutional stature have a relationship with the consumers’ level of trust or distrust of their bank; (3) determining whether the level of trust has changed in line with the deinstitutionalisation process defined in Chapter 4.

The chapter begins by describing the research design, followed by a discussion of the sample involved in the study and an explanation of how the theoretical constructs were used. This will include a detailed description of how the methods of analysis were applied to determine the reliability and validity of the measurement instrument. The chapter concludes with a discussion of ethics, data coding, editing and analysis, and a brief description of the respondents’ profiles.

7.2 Design

7.2.1 Research Method
The research framework adopted for this study is set out in Table 5. This framework is based on the hypothetico-deductive methodology proposed by Sekaran (2000, 2003). To this point the preliminary research outlined in the introductory chapter (Chapter 1), the three literature reviews undertaken in Chapter 2 through to Chapter 4 and the preliminary study presented in Chapter 5 are consistent with the hypothetico-deductive framework’s phases 1 through to 3 (as shown in Table 5). The hypothesising (Phase 4) was presented in the hypotheses development in Chapter 6.
Table 5  Research Framework

<table>
<thead>
<tr>
<th>Phase</th>
<th>Observation</th>
<th>Preliminary information gathering</th>
<th>Theory formulation</th>
<th>Hypothesising</th>
<th>Further scientific data collection</th>
<th>Data analysis</th>
<th>Deduction</th>
</tr>
</thead>
</table>
| 1     | Chapter 1 – Background and Aims | Chapters 2, 3 and 4 – Literature reviews | • Background research  
• Identification of key constructs  
• Development of conceptual model | Chapter 6 – Hypotheses development  
• Problem definition | Chapter 7 – Methodology  
• Formulate constructs  
• Develop questionnaire  
• Pre-test questionnaire  
• Administer questionnaire | Chapters 8 – Results  
• Data entry and analysis | Chapter 9 – Discussion  
Chapter 10 – Conclusions and Implications  
• Identify the salient attributes of institutional trust. |

Adapted from: Sekaran (2000)

To this point phases one to four have been completed. Phase 5 is presented in this chapter.

One of the key objectives of the research design is to determine consumer beliefs and attitudes towards their main bank and their closest branch of this main bank. The most universally used tool to collect beliefs and attitudes is the self reporting technique, most commonly in the form of a questionnaire (de Vaus 2002; Malhotra et al. 1996). This is partly due to the low costs involved in implementation, and also the relatively low demands it places on the respondents (Blankenship et al. 1998; Malhotra et al 1996; Zikmund 2003). This increases the possibility of higher response rates and the potential for greater sample size which is a high priority for statistical analysis (Zikmund 2003). Furthermore the survey method also satisfies the need in this study for the identification of sub-group differences (Burns & Bush 2000) assigned to the meaning and importance of institution-based trust in a bank-to-consumer relationship.
7.2.2 Questionnaire Type

Due to the nature of this survey, some behavioural data were needed to be collected, particularly those of bank branch patronage. Ajzen (1991) and Ajzen and Fishbein (1974, 1980) contended that only when the attitudinal predictor matches the behavioural criterion can the attitude-behaviour relationship model be considered valid. This suggests that behavioural (patronage) data should be measured in a patronage environment (Hughes 1971), in other words a survey which measures bank branch patronage should be conducted at bank branches (or by mall intercept). However, there are several theoretical and practical factors that make personal interviews unsuitable for the nature of this study. Key reasons for rejection of personal interviews or mall-intercepts are the high potential for response bias created by the high refusal rates for mall intercept surveys, the potential for interviewer bias (Zikmund 2003) and disadvantages of non-probability sampling (de Vaus 2002). Also on a practical level, time and cost constraints of covering the wide geographic area made this type of survey unsuitable. For these reasons, the mail survey was selected as the most suitable method for the data collection instrument.

Key strengths which made the questionnaire most desirable were its ability to reduce response error (respondents are not influenced by the interviewer) and also its ability to easily survey people from dispersed geographic regions (Blankenship et al. 1998; de Vaus 2002; Zikmund 2003). Another strength was the anonymity afforded to respondents, which can increase the likelihood of respondents providing honest and uninhibited responses to personal or sensitive questions (Zikmund 2003). Other practical reasons were the ability to collect data quickly and the relatively low cost of data collection (Blankenship et al. 1998; Malhotra et al. 1996), and these features also facilitated a larger sample to be collected.

7.2.3 Pre-testing the Questionnaire

In accordance with prudent research practice, upon designing the questionnaire to be used in the survey, systematic pre-testing was undertaken. Pre-testing included face validity, content validity and a pilot study (Cavana et al. 2001). Formal pre-testing involved approximately seventy participants, with further informal pre-testing involving approximately fifteen postgraduate students and academics. The
pre-testing was undertaken over a four month period. About twenty percent of the people who formally pre-tested the questionnaire were university students with a marketing research background; while this was partly out of convenience, moreover it enabled a more critical analysis of the instrument. However the majority of the people who completed the pre-test of the questionnaire were from a convenience sample.

In addition to completing the questionnaire, participants were also asked to answer the following open-ended questions:

1. Were there any questions, statements or instructions that you found difficult to understand or found unclear? Please indicate on the questionnaire which questions and sentences gave you trouble and why.

2. Do you have any comments about the general structure and appearance of the questionnaire? (e.g. Font size, layout, instructions etc.)

3. Do you have any other comments about what influences your ability to trust your bank?

4. How long did it take you to complete the questionnaire?

5. If you received this survey in the mail would you complete it? Why?

6. Which of the following incentives would offer you the most encouragement to complete the questionnaire?

Pre-testing revealed several important points, including:

- Although proximity to a bank branch was measured in terms of metric distance from the participant’s house initially, a supplementary question was needed which asked whether the participant’s nearest branch was in the town or suburb they lived in and, if not, how many suburbs or towns away their nearest branch was. This was because in remote communities there was a greater likelihood of local bank branches being a greater distance away from the participants’ homes. This facilitates a more suitable means of comparing proximity of the nearest branches between Melbourne and regional respondents.

- The vast majority of respondents were able to complete the questionnaire in less than 15 minutes.
• Some instructions needed to be reworded or given greater prominence. This was a result of some the questionnaires returned being incomplete or completed incorrectly. Incomplete questions tended to be the multiple response questions, where it appeared that some respondents had not read or understood the instructions. Also, misinterpretation of “skip question” instructions was common enough to warrant revision.

• One of the questions (question 17), an open-ended question asking participants to select the bank attribute they “see” when they think of their bank, was found to be ambiguous. Responses ranged from nothing and question marks through to non-visual attributes, and generally did not yield responses of the nature that were sought. The purpose of the question was re-examined and the question revised to become a closed-ended question, include four multiple choice options and a fifth user defined for respondents to specify an attribute of the bank if the first four were not sufficient. In subsequent re-tests this question yielded more appropriate responses.

• Some participants complained that some of the questions were repetitive. The instances of repeat questioning or similarly worded questioning were deliberately included for the purpose of measuring statistical validity of the scales used in the instrument (Zikmund 2003). Some of the questions that were highlighted in this pre-testing phase were reworded, reverse scored (see section 7.2.9) or re-sequenced in an attempt to obscure this repetition, whilst maintaining measures for statistical reliability.

• The most motivating financial incentive for trial participants to complete the questionnaire was the donation of two dollars to the Peter MacCallum Cancer Institute (see section 7.3.5.2).

• Some participants noted that they did not visit the bank branch nearest their home; instead they visited the bank branch nearest their workplace. The purpose of the questionnaire was to measure the relationship between the customer and the bank branch nearest their home; however a factor influencing this relationship would be whether the consumer banked near their workplace or their home. To clarify this, a new question was included to gain information on whether the respondent lived and worked in the same town or
suburb, or whether they worked in town or suburb away from where they lived.

After modifications to the questionnaire were made, in line with the feedback received from the initial formal pre-test, the questionnaire was then scrutinised by a further twelve university students with a research background. These participants each completed the questionnaire and gave feedback on the question wording and structure of the questionnaire. As a result of this, some minor modifications were made to simplify the wording of some of the questions to make them easier to understand and less confusing and to reduce ambiguity.

Finally, the questionnaire was examined by three more academics, to check the modifications and for final proofing of the questionnaire. Some of the instructions on the questionnaire were made more prominent and a few small alterations to wording were made.

7.2.4 Question Type

Closed questions were predominantly used to collect data; these were supplemented by a few open questions to provide feedback of a more qualitative nature. While closed questions have disadvantages (de Vaus 2002; Dillman 2000; Sekaran 2003), open questions have been found to be more problematic when capturing data on a larger scale. When using open questions, responses need to be coded for content analysis (Miles & Huberman 1994; Ryan & Bernard 2000). Moreover, these coded data are not suited to powerful parametric statistical analysis (Malhotra et al. 1996). In addition, open questions require more effort from respondents and more space on the questionnaire for responses, and are therefore unsuited as the key source of questioning in a mail based survey. The respondent effort required to complete open questions potentially leads to articulation bias, where attitudes and opinion are over or under emphasised due to the differing amount of detail given by respondents. As confirmed in the results of the questionnaire, in some instances data yielded from open questioning can be irrelevant.

Closed questions offer several practical advantages that are well suited to the research problem and methodology. They are ideal for mail surveys, because they are quick, require less effort for respondents to complete, and response categories
can clarify the meaning of the question being answered, and less articulate respondents are not disadvantaged. Closed questions yield responses that are more easily coded and analysed (de Vaus 2002; Dillman 2000; Sekaran 2003) because responses are limited to alternatives stated (Malhotra et al. 1996).

Where open questions were used in the questionnaire (two instances), they were used to collect data which would add richness and greater depth to enhance the mainly qualitative data collected. In both instances where open questions were used, the questions were optional (non-response would not affect the validity of the questionnaire) and were a place for respondents to highlight some of their own experiences and opinions. Furthermore, the questions were structured in a way so as to encourage the respondents to recount anecdotal experiences – experiences which could not be collected through closed questioning.

7.2.5 Scale Type

Likert (1932) scales were the primary method of gaining respondent attitudes throughout the questionnaire. One advantage of the Likert method is that it can produce scales that have good reliability and validity (Bearden & Netemeyer 1999; Blankenship et al. 1998; Churchill & Peter 1984). Also being an example of closed questioning, these questions are comparatively simple and require relatively low involvement, meaning that respondents are more likely to start and complete the questionnaire (Blankenship et al. 1998; Neuman 2003). Furthermore the Likert scale is the most generally useful in the scaling of responses with regards to psychological traits (Bearden & Netemeyer 1999; Nunnally 1978).

While the Likert scale is an ordinal scale (Malhotra et al. 1996; Martilla & Carvey 1975; Neuman 2003), it is usually treated as an interval measure (Malhotra et al. 1996; Sekaran 2000, 2003). This is because the same pattern typically emerges from its summated responses, irrespective of the data being treated as ordinal or interval (de Vaus 2002; Malhotra et al. 1996). While treating Likert scales as interval data may lead to some small error, it is offset by the ability to use more powerful, more sensitive and more clearly interpretable statistics with known sampling error, and a more advanced means of controlling extraneous variables (de Vaus 2002; Malhotra et al. 1996; Selvanathan et al. 2000)
7.2.6 Numbered Scales
All scale questions in the questionnaire used numbered scales. Numbered scale points were not only employed to facilitate data analysis, but also due to the intention to assume interval-scale data (Zikmund 2003). Although numbered scales do not automatically foster higher reliability (Bearden & Netemeyer 1999; Churchill & Peter 1984), they do offer several advantages (Bearden & Netemeyer 1999; Spector 1992). According to Nunnally (1978), respondents use the numbers as a clue to how to think about the questionnaire question and therefore find it easier to respond.

7.2.7 Labelled Scale Points
Scales assume interval properties only when the perceived distance between scale points is equal (Malhotra et al. 1996). Such an assumption can be violated when either written descriptors assigned to the points suggest unequal intervals and/or respondents assign different meanings to the descriptors (Blankenship et al. 1998). Conversely, labelled scale points are commonly employed in Likert scales and, while this threatens its interval properties, it is still commonly treated as an interval scale (Sekaran 2003; de Vaus 2002).

With these benefits and caveats taken into account, and also feedback from the pilot study, verbal descriptors were employed on the scales used throughout the questionnaire. However, to minimise the effect of the scale labels, labels were worded so as to suggest roughly equal intervals between intervals between scale points (DeVellis 1991), also scale points and labels were evenly spaced to appear to be a continuum (Burns & Bush 2000; Dillman 2000). The labels were only indicated at the top of a column of a bank of statements and scale points, so as to draw attention to the numerical scale points rather than the verbal aspects of the scale.

7.2.8 The number of scale points
A key quality of a scale is variability. Its utility is limited when it fails to discriminate differences in the underlying construct. There are two ways to increase variability, either increase the number of scale items or increase the number of scale points (Bearden & Netemeyer 1999; Cohen et al. 1996).
Furthermore a secondary issue when deciding on the number of scale points is whether to use an odd or even amount of scale points.

According to Malhotra et al. (1996), the Likert scale consists by definition of an odd number of response options. If at least some of the respondents can reveal neutral responses, these respondents should be given the opportunity to express their neutrality (DeVellis 1991; Dillon et al. 1990; Malhotra et al. 1996; Neuman 2003; Weiers 1988). Since it was expected that respondents could feel neutral about the statements included in the questionnaire, an odd number of response options (including a neutral position) was adopted.

Traditional guidelines suggest using seven (plus or minus two categories of response options (Blankenship et al. 1998; Dillman 2000; Dillon et al. 1990; Neumann 2003; Nunnally 1978; Weiers 1988). The nine point scale was eliminated as it is generally recognised that respondents have difficulties answering nine-point scales due to cognitive limitations (Hughes 1971; Malhotra et al. 1996; Weiers et al. 1988). And although there are arguments for the use of the seven point scale (Churchill & Peter 1984; Hughes 1971; DeVellis 1991), a five point scale was chosen measure both the beliefs and attitudes. Five point scales are the most commonly used (Sekaran 2003; Neuman 2003) and are potentially able to provide acceptable variability of responses (Cohen et al. 1996; Nunnally 1978), which is important for reliability.

Likert (1932) experimented with different weightings of the five categories but concluded that assigning weights of 1, for endorsement (Strongly Disagree) at one extreme, through to 5, for endorsement of items at the other extreme (Strongly Agree), generally worked best. Furthermore, Dillman (2000) and Neumann (2003) have found that the use of only five scale points can make the scale clearer for the respondent.

7.2.9 Reverse Scoring
A potential source of response bias is the tendency for respondents to respond to attitude statements (i.e. Likert scales and semantic differential scales) for reasons other than the contents of the statement. One form of response bias is acquiescence, where individuals’ respond with agreement (or disagreement) with
a large number of the items in succession out of boredom, laziness or a psychological predisposition (Dillman 2000; Neuman 2003; Sekaran 2003). This form of bias was observed with some of the responses received from the pilot study (see 7.2.3), where some respondents claimed the survey was repetitive and some responses to questions appeared to follow a pattern. To address this problem, the questionnaire was designed to be as simple and interesting as possible (Dillman 2000), and the theme of the statements varied so that respondents were more likely to agree with some and disagree with others with no clear pattern (Neuman 2003). This use of a combination of negatively and positively worded statements (reverse scoring) alleviates some acquiescence bias by making respondent slow down to comprehend statements (Dillman 2000).

### 7.2.10 Question Sequence

The general question sequence for the questionnaire was as follows;

1. General banking behaviour
2. Consumer relationship with their bank and levels of trust in their bank
3. The role of the bank in a community
4. The social obligations of the bank
5. Comparison between banks and other services in the community
6. Perceptions of the Community Banking scheme
7. Demographic questions
8. Other comments

There are several reasons for this sequence. Basic banking behaviour questions were positioned first because of their relative easiness to complete, also because they ask less personal information (Dillman 2000). Parts 2 and 3 comprised a string of 49 Likert scale questions relating to the respondents’ levels of trust in their main bank and the role of banks in the community. These were relatively straightforward low involvement questions. Parts 4 and 5 comprised a number of different types of question styles comprising multi-item scales, an opportunity for written input through an open question and a number of tick box style questions. These were included at the mid point of the questionnaire to provide a break from the Likert scale questions and to change the focus of the questioning to reduce the
monotony for the respondent (Blankenship et al. 1998; Dillman 2000). Part 6 contained a further 26 Likert scale questions regarding the Community Banking Scheme and some further questions about the role of banks in the community. It was intentional that both parts 3 and 6 contained questions about the role of banks in community. This was designed so that there was a separation between some of the individual items for a number of the multi-item scales. This design resulted from some of the feedback from the pilot study (see section 7.2.3) where some of the respondents found the questioning repetitive. Part 7 required respondents to provide demographic information; this was included at the end of the survey as this is when respondents are most comfortable about providing personal information (Dillman 2000). The final part provided the respondents with the opportunity to include any other comments or feedback about their relationships with their banks via an open question.

7.2.11 Questionnaire Length
Questionnaire length presented another major issue for the researcher. The challenge was to cover all areas of interest stemming from the research questions within the minimum number of questions possible. According to de Vaus (2002), if the questionnaire is too short, respondents may dismiss it as trivial and not respond, on the other hand, if the survey is too long, it may impact on the likelihood of the respondent beginning or completing it (Bean & Roszkowski 1995; Zikmund 2003).

Based on these factors, the final questionnaire comprised the equivalent of eight A4 size pages (four pages double-sided created from two A3 sized sheets of paper using a saddle stitch) of which only seven pages were dedicated to questions. The aim of using double-sided paper was to reduce the overall thickness and weight of the questionnaire, so as to appear of acceptable length to the respondent. The layout of the questionnaire is shown in Appendix A2.

7.3 Sample
7.3.1 Population
The population targeted for the study was the adult (18 years and over) population residing in the state of Victoria in Australia. There were no formal requirements
or qualifiers for the population as the questionnaire measured attitudes and collected behavioural information of bank and non-bank users. Bearing in mind the majority of the questionnaire measured consumer attitudes towards their own bank, it was important that a significant number of the respondents were bank users. However, information collected from respondents who did not have bank accounts also provided important attitudinal data towards banks in general (data which was collected by the instrument).

Surveys of this nature are often directed to the householder or head of household (particularly considering these are assumed to be the ones most likely to have dealings with a bank). However, considering the demographic makeup of households in Victoria, measuring only the householder could have lead to a skewing of the responses. An example of this skewing involves households which contained parents with adult children. This could result in a segment of the population sought (in this case adult children who live with their parents) being excluded from this survey. Ideally the opinions of representatives of the total population of Victoria including minors would be sought. However, due to ethical considerations and reliability of the results, the survey population was restricted to adults.

7.3.2 Sample Type
The main aim of the sampling method used was to capture a representative cross-sectional sample of the total population (Neuman 2003; Cavana et al. 2001). One key consideration when assembling this sample was that it proportionately represented the populations of metropolitan or suburban Melbourne and the populations of rural and regional Victoria. This aspect is considered important because of the likelihood of the location of respondents having an influence on their perceptions and attitudes. As discussed in Chapter 4, regional and rural communities have been most affected by bank closures, with the bulk of bank closures occurring in rural communities (Australian Prudential Regulation Authority 2004).

To achieve these objectives, a systematic sample (Blankenship et al. 1998; de Vaus 2002) was undertaken of the population of adult Victorians. This was achieved through the systematic selection of potential respondents from the entire
sampling frame, whilst maintaining proportional quotas for Melbourne to regional/rural communities. The sample selection method used (see section 7.3.3) also eliminated the need for stratified sampling which is commonly used to maintain quotas of respondents with homogenous characteristics – but which potentially has complications with regard to groups of people being neglected through the use of artificial quotas on only one characteristic (de Vaus 2002).

Using the most current 2001 census (Australian Bureau of Statistics 2001), Table 6 shows the populations and their proportions for Victoria.

<table>
<thead>
<tr>
<th>Table 6</th>
<th>Population of Victoria</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Population</td>
</tr>
<tr>
<td>Melbourne</td>
<td>3,366,542</td>
</tr>
<tr>
<td>Regional and Rural Victoria</td>
<td>1,278,408</td>
</tr>
<tr>
<td>Total</td>
<td>4,644,950</td>
</tr>
</tbody>
</table>

Source: Australian Bureau of Statistics 2001

Upon selection of the sample size (see section 7.3.4), the proportions of Melbourne to rural/regional respondents were maintained when sending mail out questionnaires. This method satisfies the criterion that the relevant characteristics of the population should be present in the sample in approximately the same way they are present in the population (Kerlinger 1986). It was also necessary to utilise a method of random sampling in order to satisfy a key assumption of data analysis methods such as \( t \)-tests and ANOVA.

### 7.3.3 Sampling Frame and Method

The initial sampling method involved a purely systematic random sample to achieve the desired sample of 2,000 candidates (see section 7.3.4) and was later adjusted to 2,027 to fit better with the sampling method. This sample was achieved through the systematic selection of candidates from all the White Pages telephone directories (Sensis 2003b-m) covering the state of Victoria. There are 12 White Pages directories which cover the geographic area of Victoria, two (A-K and L-Z) for the geographic area of Melbourne and a further ten directories for the regional areas of the state. A map of these geographic regions can be seen in Figure 11, with the corresponding list of regions in Table 7.
Figure 11  Map of the regions covered by telephone directories

Source: Sensis 2003b: 3036
Table 7 Geographic Region Samples

<table>
<thead>
<tr>
<th>Region Code</th>
<th>Geographic Region</th>
<th>Year</th>
<th>Number of Pages</th>
<th>Page Skip</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>V00</td>
<td>Melbourne (A-K)</td>
<td>2003-2004</td>
<td>1,012</td>
<td>1.5</td>
<td>675</td>
</tr>
<tr>
<td>V00</td>
<td>Melbourne (L-Z)</td>
<td>2003-2004</td>
<td>1,071</td>
<td>1.5</td>
<td>714</td>
</tr>
<tr>
<td>V01Y</td>
<td>Bairnsdale, Moe, Morwell, Sale, Traralgon</td>
<td>2003-2004</td>
<td>185</td>
<td>3</td>
<td>62</td>
</tr>
<tr>
<td>V02Y</td>
<td>Colac, Geelong</td>
<td>2003-2004</td>
<td>292</td>
<td>3</td>
<td>97</td>
</tr>
<tr>
<td>V03Y</td>
<td>Ararat, Bacchus Marsh, Ballarat, Horsham, Nhill, Stawell</td>
<td>2003-2004</td>
<td>221</td>
<td>3</td>
<td>74</td>
</tr>
<tr>
<td>V04Y</td>
<td>Bendigo, Castlemaine, Charlton, Echuca, Kerang, Kyneton, Maryborough</td>
<td>2003-2004</td>
<td>256</td>
<td>3</td>
<td>85</td>
</tr>
<tr>
<td>V06Y</td>
<td>Foster, Korumburra, Leongatha, Warragul, Wonthaggi</td>
<td>2003-2004</td>
<td>115</td>
<td>3</td>
<td>38</td>
</tr>
<tr>
<td>V07Y</td>
<td>Alexandra, Benalla, Myrtleford, Seymour, Wangaratta</td>
<td>2003</td>
<td>165</td>
<td>3</td>
<td>55</td>
</tr>
<tr>
<td>V08Y</td>
<td>Cobram, Deniliquin (NSW), Numurkah, Shepparton</td>
<td>2003-2004</td>
<td>141</td>
<td>3</td>
<td>47</td>
</tr>
<tr>
<td>V09Y</td>
<td>Cranbourne, Healesville, Mornington</td>
<td>2003-2004</td>
<td>283</td>
<td>3</td>
<td>94</td>
</tr>
<tr>
<td>V10Y</td>
<td>Balranald (NSW), Hopetoun, Mildura, Ouyen, Swan Hill</td>
<td>2003-2004</td>
<td>112</td>
<td>3</td>
<td>37</td>
</tr>
</tbody>
</table>

Total 3,999 2,027

Source: Sensis 2003c: 3036; Sensis 2003b-m

Using the systematic sampling method (outlined in section 7.3.2), the address listing was collected from the bottom right corner of the page on a pre-determined page skip.

The total number of pages for all the residential listings for all the volumes of the white pages was found to be 3,999 (see Table 7). However, one issue in defining the page skip was the differences in listing systems between the two Melbourne directories and the ten regional directories. The Melbourne directories listed the residential and business/government addresses in separate sections, whereas the regional directories combined all listings. Also, entry listing styles were different for the Melbourne directories. A system of “surname suppression” (Sensis 2003a) is employed in the Melbourne directories whereby only the first mention of a residential surname is listed in bold. This reduces the space need for individual entries and thus increases the number of entries per page for the Melbourne
directories. These discrepancies in systems of listing in the directories meant that two different skip sizes were needed to be set: one for the Melbourne directories and one for the regional directories (See Table 7).

Using telephone directories as a means for selecting a sample has been criticised for their social class bias and response bias (Babbie 2004; Blankenship et al. 1998). Some members of the population can potentially be excluded from a sample because they cannot afford a telephone or because they have elected to keep their telephone number unlisted. Furthermore, telephone directories become obsolete as soon as they are printed (Blankenship et al. 1998), mainly because some people listed may have moved or died. The potential effects of the deceased and transient population on the sample have been minimised by scheduling the mail out of the questionnaire for September, just three months after the release of all the editions of the 2003-04 directories.

7.3.4 Sample Size

The larger a systematic sample, the more likely it will replicate its population (Malhotra et al. 1996). As already stated a sample size of 2,027 was selected based partly on the sampling methodology employed. A sample size of 2,027 offers a sampling error of just 2.2 percent at 95 percent confidence levels (Selvanathan et al. 2000). A larger sample also offers improved statistical power in that the ability of a statistical test to detect significant associations or differences is related to sample size (Loewenthal 1996). It is also necessary in order to undertake proposed methods of analysis that are outlined in section 7.7.

7.3.5 Non-response

Non-response bias is one of the most important issues in survey research (Malhotra et al. 1996). Non-respondents may differ from respondents in terms of demographic, psychographic, personality, attitudinal, motivational, and behavioural variables (Ferber 1966; Malhotra et al. 1996; Zikmund 2003). There are two sources of non-response bias: failure to obtain responses from a sizeable proportion of sample members and also non-response to individual questions (Yu & Cooper 1983). This was a key consideration when both selecting the sample and designing of the survey instrument.
In order to reduce the incidence of non-response to individual items the questionnaire was kept to seven pages and the number of intrusive and potentially more sensitive questions (particularly demographic questions) were kept to a minimum and located at the end of the questionnaire (Dillman 2000). Furthermore, respondents were encouraged to answer all questions by making payment of the incentive conditional on the survey being completed and returned (Craig & McCann 1978).

Non-response to the questionnaire can be because of a number of factors: refusal to respond, inability to respond (e.g. non-English speaking, illiteracy, vision impairment) and lack of accessibility to the researcher (Yu & Cooper 1983). There are two ways to rectify or reduce the impact of this type of non response bias: setting the initial sample larger than that needed or more ideally increasing response rates (Blankenship et al. 1998; Yu & Cooper 1983; Zikmund 2003). The primary way of reducing non-response in this survey was to attempt to increase response rates. To achieve this end, the Total Design Method (TDM) developed by Dillman (1978, 2000) was adapted for the needs of the study.

In keeping with the principles of the TDM, the questionnaire was designed to give the perception of the exchange being equitable. Assuming the survey is a type of social exchange, certain conditions must be satisfied before the exchange can occur. Actions of individuals are motivated by the return these actions are expected to bring, and in fact usually do bring, from others (Blau 1964; Dillman 1978, 2000). Three elements are critical for predicting a particular action: rewards, reducing costs and trust (Dillman 1978, 2000). The survey attempts to satisfy these conditions in a number of ways:

- **Rewards:** Showing positive regard to the potential respondent, saying thank you, giving tangible rewards (explained in section 7.3.5.2), making the questionnaire interesting, and by informing the respondents that the opportunities to respond are scarce.

- **Reducing (social) costs:** Avoiding subordinating language, avoiding inconvenience, making the survey short and easy, and minimising requests for personal information.
• **Trust**: Providing a token of appreciation, Sponsorship by a legitimate authority, and making the task appear important.

  (Dillman 2000)

The three key design elements of the survey instrument design aimed at fostering these three conditions are set out below and served as key influences over response rates.

### 7.3.5.1 Cover Letter

The introductory letter (See Appendix A1) provides the main opportunity to motivate the respondents to complete the questionnaire (de Vaus 2002). It is the first thing to be cited by the respondent upon opening the envelope so its impact is important. Stationery that prominently identified Swinburne University of Technology as the source of the questionnaire was deliberately chosen for both the cover letter and the outgoing envelope that contained it. This served to give the questionnaire the appearance of being endorsed by a respected source or legitimate authority (Dillman 2000; Kanuk & Berenson 1975) and is consistent with a social utility appeal. Cavusgil and Elvey-Kirk (1998) found that when a university is the source of a study, a “social utility appeal” (p.1181) elicits the greatest response rate in mail surveys. In addition to this, the cover letter emphasised the investigation’s relevance to local communities and also highlighted the importance the respondent plays in the process.

Other key features of the cover letter (See Appendix A1) were:

- An explanation of how the respondents were chosen for the research, highlighting that their details had been legitimately obtained through a “randomised” process and reassuring them that that their records had not been purchased.
- The use of bold type and larger font to draw attention to the incentive used (see section 7.3.5.2).
- Contact details (phone number and email address) of the researcher were provided to foster trust and to reduce a potential source of non-response (Yu & Cooper 1983).
- An explanation of how the data will be used, and further directions to the back of the questionnaire, where more detail was provided on how the data would be used and stored and the contact details of the Swinburne University Human Research Ethics Committee. The disclosure of such details was partly to increase the trust of the respondent through open disclosure of processes.

- Directions on how to obtain a summary of the questionnaire results were provided to respondents to further establish a perception of exchange and trust.

- Because each questionnaire included a reference number for the purpose of follow-up it was necessary to explain the anonymity of the study, particularly because of the impact non-anonymity can have on response (Kanuk & Berenson 1975). Also when anonymity is promised, it reinforces a request for information intended to be utilised to benefit society as a whole (Cavusgil & Elvey-Kirk 1998).

- A statement to distance the study from the auspices of the banks, so as to allay concerns that the information would be provided to the banks and was not completely confidential.

The cover letter included with the questionnaire can be seen in Appendix A1.

7.3.5.2 Financial Incentives

Financial incentives are one of only two methods found to consistently encourage larger response rate (Blankenship et al. 1998; Kanuk & Berenson 1975). A monetary incentive can appeal to all income categories and can attract attention to a questionnaire (Zikmund 2003). However the cost of the incentive can sometimes outweigh the value of any additional information received (Yu & Cooper 1983).

Consistent with the social utility appeal (Cavusgil & Elvey-Kirk 1998) and pre-testing, it was decided that a donation of two dollars made to a charity for each returned and completed questionnaire instead of a monetary incentive given directly to the respondent would be used. The charity, Peter MacCallum Cancer Institute, was chosen upon feedback from the pilot test because of the high awareness of the institute and also its good community reputation. Although incentives have the potential to bias responses by altering moods, it is countered by the higher response rates, therefore reducing non-response bias.
7.3.5.3 Follow-up

Follow-up serves as the only other method with empirical support for its ability to maximise response rates (Blankenship et al. 1998; Kanuk & Berenson 1975; Malhotra et al. 1996; Yu & Cooper 1983). Follow up measures may cause the respondent to feel that his or her response is more important than previously believed (Cavusgil & Elvey-Kirk 1998).

Consistent with the TDM, a follow-up postcard was sent out ten days after the initial mail-out to those who had yet to respond. Again, the postcard reinforced the social utility messages used in the questionnaire and cover letter by emphasising the opportunity to contribute to a charity.

The reminder postcard used in the process is included in Appendix A3.

7.4 Item Generation and Testing

7.4.1 Clarifying the Constructs

A construct is an informed, scientific idea developed or ‘constructed’ to describe or explain behaviour (Cohen et al 1996). Constructs should be defined both constitutively and operationally. Because a construct is used to communicate, it should defined according to its most commonly understood sense (de Vaus 2002). The constitutive definition of trust was therefore based on the main dictionary meaning of trust, which is:

Confidence in or reliance on some quality or attribute of a person or thing, or the truth of a statement. (Oxford English Dictionary 1989)

Therefore trust in banks was defined as: Confidence or reliance on some quality or attribute of a bank.

An operational definition specifies how a construct is to be measured by giving meaning to each of the variables used to define it (Cohen et al. 1996). Because the constitutive definition of trust in banks was researcher-defined it was first necessary to determine whether it was consistent with what consumers believe constitutes trust in terms of its attributes. This is consistent with the research process in that it was not trust in banks that was being measured, but rather the
attributes (particularly institution-based attributes; as defined in Chapter 4) that lead consumers to form the level of trust they have in their bank and banks in general. Individuals perceive an object as having many attributes and form beliefs about each of these attributes. Attributes are the features or characteristics an object may or may not have (Cohen et al. 1996; Karmarker & Pitblando 1997; Lancaster 1966). It is also consistent with need to understand the beliefs upon which attitudes are created before attempting to understand the attitude itself (de Vaus 2002).

7.4.1.1 The Independent Variables.
The dimensions and attributes of institution-based trust in banks were previously discussed in Chapter 6.

7.4.1.2 The Dependent Variables
In order to determine the level of trust an individual has for their bank, it is first crucial to define who “their bank” is. As it is common for individuals to have relationships or accounts with more than one bank (Wallis et al. 1997), it was therefore essential for that measurement of attitudes and beliefs towards the respondent’s bank referred to the same bank consistently throughout the questionnaire. Furthermore it was important that, respondents who have multiple bank accounts referred consistently to the bank with whom they have the greatest degree of relationship. To achieve this, it was important to specify which bank respondents needed to refer to when they were filling out the questionnaire (particularly if they had relationships with multiple banks), and also to complete the entire questionnaire with reference to that same bank. This was achieved by specifying in the first question where respondents were asked:

With which MAIN bank or credit union do you do most of your personal day-to-day banking?

The two key descriptors in this question, “MAIN bank or credit union” and “your personal day-to-day banking”, were carefully selected so that respondents would refer to the bank with which they had the greatest degree of relationship. Throughout the remainder of the questionnaire, respondents were guided by the same descriptor, “MAIN bank”, when they were to respond to statements referring to this bank. In addition, respondents were asked most questions
referring directly to their main bank at the start of the questionnaire, with the degree of relationship measured by the number of accounts they held at the bank and also the number of interactions they had with this bank in the preceding month.

The second dependent variable that needed to be defined was the respondents’ local communities and in particular their local shopping area. The term ‘community’ has very broad scope as it refers to the quality of appertaining to or being held by all in common (Oxford English Dictionary 1989). This broad definition could potentially refer to religious groups, geographic groups, cultural groups and other social groups. With aim of the study to investigate consumer attitudes to bank in a sociogeographic context (Weinstein & McNulty 1980), community was defined as ‘local shopping area’. The choice of local shopping area as the descriptor for this dependent variable was made because a shopping area is a visible and somewhat tangible embodiment of community being researched. A shopping area (or shopping strip) is not centrally owned or managed, comprising a series of independent shop fronts that have grouped together along arterial roads (McColl-Kennedy & Kiel 2000). The term ‘shopping area’ has relevance to communities located both in rural areas and also city and suburban areas. In the questionnaire respondents were asked:

> Please now think about your LOCAL shopping area NEAREST to your HOME as you answer the rest of the survey.

The three key descriptors were capitalised to highlight the key dimensions of the community that respondents needed to refer to when responding to statements.

### 7.4.1.3 The Mediating Construct

The focus of belief questions is on establishing what people think is true rather than the accuracy of their beliefs (Babbie 2004, de Vaus 2002). Consumers form beliefs about the trustworthiness of their banks (and banks in general) based on the way in which banks behave (Figure 12).
Despite the assumed relationship between many of the constructs, it must be noted that one of the key objectives of this study is to investigate whether certain behaviours of banks have an impact on the levels of trust consumers have in them.

It is impossible to measure a belief directly because it is an abstract concept referring to a phenomenon that occurs within the mind (de Vaus 2002). However, based on the notion that a belief refers to a probability that a person attaches to a given piece of knowledge being true, beliefs can be measured indirectly by asking respondents which attributes and behaviour of a bank make it more or less trustworthy (de Vaus 2002).

### 7.4.2 Developing Indicators

One key concern in developing indicators is whether to use existing scales or to develop original scales (Bearden & Netemeyer 1999). Existing scales offer the benefit of established reliability and validity, and comparability with other studies (Babbie 2004; Bearden & Netemeyer 1999; de Vaus 2002; Loewenthal 1996; Murphy & Davidshofer 2001). However development and implementation of a new scale specifically for a unique problem are often more suitable (Cooper & Emory 1995; Cooper & Schindler 2003) and produce results with a higher reliability. Furthermore, existing scales could not be utilised, because to date there have been no empirical studies which focus on the concept of institutional trust in a retail banking context. Therefore new scales were developed to measure the dimensions of institutional trust based upon the literature reviews and using descriptors from dictionaries and thesauruses. The questionnaire was also pilot tested on participants that were representative of the sample population (see section 7.2.3).

In developing indicators for constructs it is not only important to determine what indicators will be used, but it is also essential to determine how many will be used. The number of indicators serves as one of the two key measurement
characteristics that have the strongest impact on reliability estimates (Babbie 2004; Churchill & Peter 1984; Cohen et al. 1996; Murphy & Davidshofer 2001).

Depending on the complexity of an attitude object and its number of salient characteristics, a decision was made to use single or multi-item scales. Single-item scales were used to measure one-dimensional attitudes on the assumption that for a homogenous population average values can be calculated and an averaging process used to create a reliable statistic (Babbie 2004; Cohen et al. 1996; Murphy & Davidshofer 2001). Furthermore, reducing the incidences of multi-item scales where they are not strictly necessary facilitates a shorter survey instrument, thereby reducing a source of non-response error (Dillman 2000). Single-item Likert scales and semantic differential scales were therefore used to measure respondents’ beliefs about their banks behaviour and some consumer behaviour measures.

In cases where multi-dimensional attitudes were measured, multi-item scales were used. This is because these attitudes are more complex than one-dimensional attitudes, and a single-items scale would only provide a crude measurement of the respondents’ attitudes. Multi-item indicators are more reliable than single item measures (Babbie 2004), and better methods exist to assess their reliability (Bearden & Netemeyer 1999; de Vaus 2002; Murphy & Davidshofer 2001). According to Babbie (2004), the more important the question is to an overall research objective, the more items should be used. Therefore, key constructs were measured with multi-item scales.

The key dimensions of institution-based trust (hypothesised in Chapter 6) and other key constructs pertaining to trust in various bank types were measured using multi-item scales, as these were established as potential key constructs in the literature reviews.

7.4.3 Reliability

Prior to the use of a multi-item scale it is necessary to determine whether the scale measures the construct it was developed to capture (Bearden & Netemeyer 1999; Blankenship et al. 1998). While there are several different methods available to the researcher to assess the reliability of scales, some are superior to others. For
instance, test-retest reliability requires testing the same scale a second time by the same respondents under similar conditions. This presents problems for the researcher, because apart from gaining the cooperation of the respondents for two surveys, repeated exposure to the questionnaire can create response bias and also the time lag involved may create environmental or personal changes for the respondents. These factors can lead the second measurement to change. Similarly, using equivalent form reliability, where a second highly similar instrument is tested, presents difficulty in that it is exceedingly difficult to create two totally equivalent instruments (Murphy & Davidshofer 2001). For reasons such as these Churchill (1979) and Murphy and Davidshofer (2001) suggested assessing the reliability of multi-item scales using coefficient alpha and factor analysis.

### 7.4.3.1 Coefficient Alpha

To measure reliability of the multi-item scales, Cronbach’s coefficient alpha was employed. Cronbach’s coefficient alpha is regarded as the most important test of reliability (Cohen et al. 1996; Murphy & Davidshofer 2001; Neuman 2003; Nunnally 1978). It indicates the proportion of variance in scale scores 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 & Davidshofer 2001). The measurement of reliability is a coefficient analogous to a proportion in which 1.00 constitutes perfect reliability (Burns & Bush 2000). While debate exists over what constitutes a reliable score, alpha scores above 0.65 are regarded as acceptable (DeVellis 1991) particularly when there are fewer than ten items per construct and the scale is new (Loewenthal 1996). Scores of around 0.80 indicate high to moderate reliability (Cohen et al 1996; Murphy & Davidshofer 2001). However lower levels (around 0.70) are acceptable when (1) tests are used for preliminary rather than final decisions and (2) tests are used to sort people into a small number of categories based on gross individual differences (Murphy & Davidshofer 2001).

Cronbach’s coefficient alpha was undertaken on eight constructs yielding scores between 0.657 and 0.813 (see Table 8).
<table>
<thead>
<tr>
<th>Construct</th>
<th>Item</th>
<th>Measure</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust – Bank</td>
<td>TrB1</td>
<td>In general, my bank is trustworthy.</td>
<td>0.798</td>
</tr>
<tr>
<td></td>
<td>TrB2</td>
<td>I sometimes feel distrust for my bank.*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>TrB3</td>
<td>Banks are as trustworthy as they’ve ever been.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>TrB4</td>
<td>Banks are not as trustworthy as they used to be.*</td>
<td></td>
</tr>
<tr>
<td>Trust – Bank Staff / Management</td>
<td>TrBSM1</td>
<td>Bank managers are generally trustworthy.</td>
<td>0.786</td>
</tr>
<tr>
<td></td>
<td>TrBSM2</td>
<td>My bank manager is generally trustworthy.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>TrBSM3</td>
<td>A bank manager is a respected person in the community.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>TrBSM4</td>
<td>I trust the staff at my local branch.</td>
<td></td>
</tr>
<tr>
<td>Trust – Community Banks</td>
<td>TrCB1</td>
<td>I trust Community Banks.</td>
<td>0.674</td>
</tr>
<tr>
<td></td>
<td>TrCB2</td>
<td>I would trust a Community Bank with my money.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>TrCB3</td>
<td>I would not consider opening an account at a Community Bank.*</td>
<td></td>
</tr>
<tr>
<td>Relationship – Bank values Customer</td>
<td>RelBVC1</td>
<td>My bank normally acts in my best interests</td>
<td>0.813</td>
</tr>
<tr>
<td></td>
<td>RelBVC2</td>
<td>I have never had need to question the motives of my bank.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RelBVC3</td>
<td>My bank values me as a customer.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RelBVC4</td>
<td>My bank does not consider me important.*</td>
<td></td>
</tr>
<tr>
<td>Relationship – Customer values Bank</td>
<td>RelCVB1</td>
<td>I feel a sense of loyalty to my bank.</td>
<td>0.774</td>
</tr>
<tr>
<td></td>
<td>RelCVB2</td>
<td>I value my relationship with my bank.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RelCVB3</td>
<td>I hate my bank.*</td>
<td></td>
</tr>
<tr>
<td>Bank Braches – Important for Customer</td>
<td>BBIfCu1</td>
<td>Bank Branches are nice, but for most people unnecessary.*</td>
<td>0.693</td>
</tr>
<tr>
<td></td>
<td>BBIfCu2</td>
<td>I would not care if my bank did not have branches.*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BBIfCu3</td>
<td>In general, I think branches are not important.*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BBIfCu4</td>
<td>Internet banking has made bank branches unnecessary.*</td>
<td></td>
</tr>
<tr>
<td>Bank Braches – Important for Communities</td>
<td>BBIfCo1</td>
<td>It is important that there is a bank branch in my suburb/town.</td>
<td>0.717</td>
</tr>
<tr>
<td></td>
<td>BBIfCo2</td>
<td>Bank branches are important for the community</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BBIfCo3</td>
<td>I don’t think bank branches are important for the community.*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BBIfCo4</td>
<td>All communities need bank branches.</td>
<td></td>
</tr>
<tr>
<td>Community Banks – Good for Communities</td>
<td>CBGfC1</td>
<td>Community Banks care about the Community.</td>
<td>0.657</td>
</tr>
<tr>
<td></td>
<td>CBGfC2</td>
<td>Community Banks exploit small communities.*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CBGfC3</td>
<td>Community Banks are an asset to their communities.</td>
<td></td>
</tr>
</tbody>
</table>

* Scales reversed when calculating Cronbach’s Alpha
All eight constructs yielded alphas deemed acceptable (DeVellis 1991) showing acceptable reliability in the proposed scales.

7.4.3.2 Factor Analysis

Although factor analysis is not always necessary when satisfactory reliability has been obtained (Loewenthal 1996), it can show what reliability coefficients cannot by determining empirically how many constructs underlie a set of items (DeVellis 1991). As the summated scales shown in Table 8 consist of multiple items, all component items from a construct’s scale should be loaded under the same factor in the factor analysis. Empirical confirmation of this indicates that each of the eight summated scales consist of items loading highly on a single factor and that each represents a single construct (Cohen et al. 1996). Factor analysis enables this by determining the number of factors and the loadings of each variable on the factor (Cohen et al. 1996; Murphy & Davidshofer 2001).

Exploratory factor analysis was undertaken on the items to examine the unidimensionality of the constructs. This technique was selected over confirmatory factor analysis because it is more objective in highlighting scale correlations because the analysis has not been instructed to identify specific patterns (Coakes & Steed 2003; DeVellis 1991).

The twenty nine items used in the eight constructs were subjected to principal components analysis. The Kaiser-Meyer-Oklin (KMO) value, a measure of sampling adequacy, was 0.879, a score which confirmed that the dataset was suitable for factor analysis (Coakes & Steed 2003; Tabachnick & Fidell 1996) and the Bartlett Test of Sphericity was highly significant ($\chi^2(406) = 3829.769$, $p < 0.001$). Factor analysis indicated that there were five main factors. Consequently, five factors were rotated using Varimax rotation (using principal axis factoring extraction method). The rotated solution (as shown in Table 9) yielded five interpretable factors.

For the purpose of interpretation each factor comprised variables loaded 0.40 or higher on that factor. In the five instances where variables loaded 0.40 or above on two factors, each variable was assigned to the factor where it had the highest
loading (Coakes & Steed 2003; Tabachnick & Fidell 1996). The five factor solution explained a total of 56.7 percent of the variance.

Table 9  Rotated Factor Matrix

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
<th>Factor 4</th>
<th>Factor 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>RelBVC3</td>
<td>.801</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RelBVC4</td>
<td>.752</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RelCVB2</td>
<td>.739</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RelCVB1</td>
<td>.691</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RelCVB3</td>
<td>.668</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RelBVC1</td>
<td>.644</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TrB1</td>
<td>.642</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TrB2</td>
<td>.641</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RelBVC2</td>
<td>.548</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TrB4</td>
<td>.415</td>
<td>.775</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TrCB2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.459</td>
</tr>
<tr>
<td>TrCB1</td>
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<td>.745</td>
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<tr>
<td>CBGfC1</td>
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<td>CBGfC3</td>
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<td>.489</td>
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<tr>
<td>TrCB3</td>
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<td></td>
</tr>
<tr>
<td>TrBSM1</td>
<td>.416</td>
<td>.636</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TrB3</td>
<td>.412</td>
<td>.554</td>
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<tr>
<td>TrBSM2</td>
<td>.417</td>
<td>.519</td>
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<tr>
<td>TrBSM3</td>
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<td>.498</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>TrBSM4</td>
<td>.429</td>
<td>.432</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BBIfCu2</td>
<td></td>
<td>.674</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BBIfCu4</td>
<td></td>
<td>.608</td>
<td></td>
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<td></td>
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<td>BBIfCu1</td>
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<td>.598</td>
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<td>BBIfCu3</td>
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<td>.529</td>
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<td>BBIfCo4</td>
<td></td>
<td>.667</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>BBIfCo1</td>
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<td>.566</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>BBIfCo2</td>
<td></td>
<td>.536</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>BBIfCo3</td>
<td></td>
<td>.402</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Extraction Method: Principal Axis Factoring.
Rotation Method: Varimax with Kaiser Normalisation
Rotation converged in 7 iterations

Proposed constructs TrB, RelBVC and RelCVB (11 items) appeared under Factor 1, and proposed constructs CBGfC and TrCB (6 items) appear under Factor 2.
This was not surprising because the two factors were composed of proposed constructs that were hypothesised to have had strong relationships. Also, five of the items had loadings under two factors. It is common for researchers to use the factors with the highest loading (Coakes & Steed 2003; Hair et al. 1998; Tabachnick & Fidell 1996). To investigate whether various factors could in fact be correlated, oblique rotation was used (Coakes & Steed 2003). Oblique rotation (direct oblimin, using the Principal Axis Factoring extraction method) factor analysis was employed to attempt to produce a clearer indication of the factors. This analysis resulted in a little more clarity. However, results still showed some dual loadings, but on top of this showed very strong correlations between factors 1 and 4, and strong correlations between factors 5 and 2, and 5 and 3. The data were finally analysed using oblique rotation (direct oblimin), but using the maximum likelihood factor extraction method with results loaded at 4.0 or more. The use of the maximum likelihood factor extraction method was chosen as it estimates population values for factor loadings by calculating loadings that maximise the probability of sampling the observed correlation matrix from a population (Hair et al. 1998; Tabachnick & Fidell 1996). The five factor solution explained a total of 47.9 percent of the variance. The results for this analysis are shown in Table 10.
### Table 10 Pattern Matrix

<table>
<thead>
<tr>
<th>Item</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
<th>Factor 4</th>
<th>Factor 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>RelBVC3</td>
<td>.823</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RelBVC4</td>
<td>.791</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>RelCVB2</td>
<td>.689</td>
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<td></td>
<td></td>
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<tr>
<td>RelCVB1</td>
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<tr>
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<td>TrB3</td>
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<td>- .707</td>
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<td>BBlfCo3</td>
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<td></td>
</tr>
</tbody>
</table>

Extraction Method: Maximum Likelihood
Rotation Method: Oblimin with Kaiser Normalisation
Rotation converged in 16 iterations

The corresponding factor correlation matrix for the pattern matrix again showed a very strong negative correlation between Factors 1 and 4 (-0.629), and strong correlations between Factors 2 and 5 (0.365), and Factors 3 and 5 (-0.379). Item TrB2 had dual loadings just below the 4.0, factor 1 (0.391) and factor 4 (-0.377),
although not providing a decisive loading, are consistent with the negative correlation cited for the equivalent items. Furthermore, item BBIfCo3 also loaded most highly under factor 5 (0.327) which was consistent with other items in that construct. Item RelBVC2 loaded most highly under factor 4 (-0.363). Although this is not consistent with other items in its proposed construct (all under factor 1), it is loaded under factor 4 which has the negative correlation with factor 1. This means the negative loading combined with the negative correlation shows a relatively strong correlation. Furthermore, the construct RelBVC showed the highest Cronbach’s alpha coefficient (0.813), therefore the item RelBVC2 will be retained in the scale.

A bivariate correlation was undertaken on the eight constructs, which verified that aforementioned correlations between the factors in the factor analysis were indeed correct. Overall, both the factor analysis and coefficient alpha tests undertaken show acceptable reliability for the proposed constructs’ scales.

7.4.3.3 Validity
The validity of a scale is the extent to which the set of questions in a survey instrument taps the appropriate concept and whether the researcher can be reasonably certain that the instrument measures the appropriate concept and not something else (Sekaran 2003). In order to establish the validity of a scale, four types of validity measures are recommended: (1) face or content; (2) convergent; (3) discriminant; and (4) criterion validity (Loewenthal 1996; Malhotra et al. 1996; Murphy & Davidshofer 2001; Sekaran 2003).

A scale has face or content validity to the extent that its items represent a chosen subset of the universe of appropriate items (DeVellis 1991; Sekaran 2003). It was attained in this study via the extensive literature review process and pre-testing of the instrument (see section 7.2.3). These processes in combination with the use of dictionaries and thesauruses to generate items in scales were used to ensure content validity. Finally, content validity was confirmed during the extensive pilot and pre-testing phase (see section 7.2.3).

Discriminant validity is the extent to which the scale does not correlate with other constructs from which it is supposed to differ (Malhotra et al. 1996); otherwise the
measure may have captured an isolated trait or is simply reflecting method variance. Convergent validity is the extent to which the scale correlates positively with other measures of the same construct (Malhotra et al. 1996). To assess discriminant and convergent validity of the eight scales, each item was correlated with its own scale (with the item removed) and with the seven other scales. The results of these analyses are shown in Table 11. These results indicate discriminant and convergent validity in that items were always more highly correlated with their own scales than with the other scales.
### Table 11  
Correlations between Items and Scales

<table>
<thead>
<tr>
<th></th>
<th>TrB</th>
<th>TrBSM</th>
<th>TrCB</th>
<th>RelBVC</th>
<th>RelCVB</th>
<th>BBIfCu</th>
<th>BBIfCo</th>
<th>CBGfC</th>
</tr>
</thead>
<tbody>
<tr>
<td>TrB1</td>
<td>.782*</td>
<td>.559</td>
<td>.001</td>
<td>.574</td>
<td>.590</td>
<td>.088</td>
<td>-.115</td>
<td>.075</td>
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<tr>
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<td>.775*</td>
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<td>-.042</td>
<td>.637</td>
<td>-.582</td>
<td>.029</td>
<td>-.088</td>
<td>-.006</td>
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<tr>
<td>TrB3</td>
<td>.834*</td>
<td>.433</td>
<td>-.140</td>
<td>.471</td>
<td>.406</td>
<td>.162</td>
<td>-.179</td>
<td>-.103</td>
</tr>
<tr>
<td>TrB4</td>
<td>.765*</td>
<td>.306</td>
<td>-.185</td>
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<td>.335</td>
<td>.108</td>
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<tr>
<td>TrBSM1</td>
<td>.467</td>
<td>.843*</td>
<td>-.146</td>
<td>.435</td>
<td>.460</td>
<td>-.048</td>
<td>-.073</td>
<td>.175</td>
</tr>
<tr>
<td>TrBSM2</td>
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<td>.768*</td>
<td>-.108</td>
<td>.459</td>
<td>.471</td>
<td>-.043</td>
<td>.011</td>
<td>.083</td>
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<td>.160</td>
<td>-.139</td>
<td>.231</td>
<td>.545</td>
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<td>.011</td>
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<td>.604</td>
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<td>-.009</td>
<td>.156</td>
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<tr>
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<td>.660</td>
<td>.854*</td>
<td>-.056</td>
<td>.083</td>
<td>.143</td>
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<tr>
<td>RelCVB3</td>
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<td>.498</td>
<td>.015</td>
<td>.554</td>
<td>.793*</td>
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<td>-.038</td>
<td>.133</td>
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<td>BBIfCu2</td>
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<td>-.107</td>
<td>.132</td>
<td>.007</td>
<td>.772*</td>
<td>-.437</td>
<td>-.129</td>
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<td>-.106</td>
<td>.033</td>
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<td>-.071</td>
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<td>-.209</td>
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<td>-.430</td>
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<td>.351</td>
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<td>-.072</td>
<td>.046</td>
<td>-.408</td>
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<td>BBIfCo4</td>
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<td>.217</td>
<td>-.155</td>
<td>-.076</td>
<td>-.332</td>
<td>.776*</td>
<td>.330</td>
</tr>
<tr>
<td>CBGfC1</td>
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<td>.507</td>
<td>.195</td>
<td>.260</td>
<td>-.197</td>
<td>.357</td>
<td>.781*</td>
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<tr>
<td>CBGfC2</td>
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<td>.190</td>
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<td>-.042</td>
<td>.016</td>
<td>-.238</td>
<td>.473</td>
<td>.774*</td>
</tr>
</tbody>
</table>

* Items correlated with their corresponding scale

A scale or survey instrument has criterion validity to the extent to which the scale discriminates between individuals who are known to be different (they should score differently on the instrument) and is sometimes classified as concurrent or predictive validity (Malhotra et al. 1996; Sekaran 2003; Zikmund 2003). In order to establish concurrent validity of the measures used to determine the levels of
trust consumers had in their bank, chi-square tests were used to measure the relationship customers had with the bank and their perceptions of how their bank interacted with them. Furthermore each belief and attitude scale was subjected to bi-variate correlation analysis with corresponding behavioural scales to test predictive validity (Malhotra et al. 1996). These tests are shown in Chapter 8 with the results suggesting adequate validity.

7.5 Ethics and Information Confidentiality
All research projects conducted at Swinburne University of Technology involving human subjects must obtain approval of the Human Research Ethics Committee. The Human Research Ethics Committee granted ethics approval to the project on the 4th June 2003, based on a submission of the background and aims of the research, the sampling methodology, method of data collection, procedures preserving confidentiality, the cover letter and questionnaire. Guidelines and procedures governing human research conducted under the auspices of Swinburne University of Technology can be found at: http://www.swin.edu.au/research/ethics/.

7.6 Data Coding and Editing
The bulk of the data analysis was performed using the Statistical Package for the Social Sciences 12.0 (SPSS) computer program. This was supplemented by some analysis using Microsoft Excel 10.5 which was more flexible for some visual output. The use of SPSS required the data collected to be numerically coded. Numerical codes were assigned to the majority of questions prior to the administration of the questionnaire. The exceptions were year of birth, post code and responses to open questions.

The year of birth question was designed to collect interval data via an open question. The key reason for this was to enable flexibility of setting the age range categories upon completion of data collection. Predetermining the age range categories to be used before data coding may have resulted in unequal group sizes and possibly lessening the options available in analysis (Malhotra et al. 1996). These final categories used are presented in section 7.8.1.
Respondents’ postcodes were collected in order to determine whether respondents’ perceptions of their relationship with their banks varied according to their location. These postcodes were then grouped in to geographic zones consistent with those used in the development of the sampling frame (See Figure 11 and Table 7). However these zones were largely collapsed during data analysis into Greater Melbourne and Regional Victoria (See Table 13) so as to have a sufficient sample size to facilitate more significant findings.

Some of the 75 Likert scale statements were negatively worded to reduce the likelihood of acquiescence bias. In the data analysis phase these were recoded using SPSS.

### 7.7 Data Analysis Procedures

Several procedures were used to analyse the data for the purpose of addressing and answering the hypotheses and research questions of this study. A combination of *t*-tests and one-way ANOVA tests was the predominant means used for testing the hypotheses. These were used on top of other descriptive statistics, including cross-tabulation to discern possible relationships between constructs and variables such as location and proximity to bank branch.

### 7.8 Respondent Profiles

Mail questionnaires were sent to a systematic random sample of 2,027 Victorian households. Of these 177 were undeliverable (30% insufficiently addressed, 24% unknown at that address, 21% left that address) and 9 which were ineligible due to the questionnaire missing responses to key questions or incorrectly completed. In all 468 useable questionnaires were received. This provided a response rate of 25.3 percent, a satisfactory rate for mail surveys (Blankenship et al. 1998; Erdos 1970). Four demographic variables were measured in the study. They were age, gender, residential location and income. Also three banking variables were measured: main bank used, bank accounts at this main bank and the proximity to the nearest bank branch of this bank.
7.8.1 Age

Age data were collected by respondents’ providing their year of birth, which yielded ratio scale data (Malhotra et al. 1996). Although ratio data are the most versatile scale as it enables the widest possibilities in statistical analysis options (Malhotra et al. 1996), the data were predominantly treated as an ordinal measure by converting them into four categories. These categories were: (1) 18-34 years old; (2) 35-49 years old; (3) 50-64 years old; and (4) 65 years and above.

A comparison with the 2001 census data for Victoria revealed that on the whole the sample age is higher than the population age. The proportions for each age category are listed in Table 12. Response rates were lowest in the 18-34 years old age category, with all other categories yielding a response rate higher than their respective population proportions.

<table>
<thead>
<tr>
<th>Age Category</th>
<th>Sample</th>
<th>Population*</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 – 34 years old</td>
<td>15.4%</td>
<td>32.5%</td>
</tr>
<tr>
<td>35 – 49 years old</td>
<td>30.2%</td>
<td>29.8%</td>
</tr>
<tr>
<td>50 – 64 years old</td>
<td>34.7%</td>
<td>20.9%</td>
</tr>
<tr>
<td>65 years and above</td>
<td>19.7%</td>
<td>16.9%</td>
</tr>
</tbody>
</table>


7.8.2 Gender

The questionnaire responses yielded 47.5 percent male respondents and 52.5 percent female respondents. This approximates the 2001 census data showing 48.4 percent of the Victorian (18 years and above) population is male and 51.6 percent female (Australian Bureau of Statistics 2001).

7.8.3 Location

From a systematic random sample in which questionnaires were sent to households in a total of 385 different postcodes, responses were yielded from 241 postcodes. To simplify analysis, the responses were initially divided into the eleven regions used when collating the sample (see Figure 11 and Table 7). The response rates from all the regions ranged between almost 19 percent and 35 percent (see Table 13). These arbitrary regions were based on the regions used by Sensis (2003b) for telephone book regions. Furthermore the results are also
divided into the two major regions which were for the most part used in the data analysis stage: Greater Melbourne and Regional Victoria (see Table 13).

**Table 13  Respondents’ Residential Location**

<table>
<thead>
<tr>
<th>Region Code</th>
<th>Geographic Region</th>
<th>Response Proportion</th>
<th>Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>R00</td>
<td>Melbourne</td>
<td>63.7%</td>
<td>23.8%</td>
</tr>
<tr>
<td>R01</td>
<td>Bairnsdale, Moe, Morwell, Sale, Traralgon</td>
<td>3.2%</td>
<td>24.5%</td>
</tr>
<tr>
<td>R02</td>
<td>Colac, Geelong</td>
<td>3.4%</td>
<td>25.9%</td>
</tr>
<tr>
<td>R03</td>
<td>Ararat, Bacchus Marsh, Ballarat, Horsham, Nhill, Stawell</td>
<td>4.5%</td>
<td>18.6%</td>
</tr>
<tr>
<td>R04</td>
<td>Bendigo, Castlemaine, Charlton, Echuca, Kerang, Kyneton, Maryborough</td>
<td>6.0%</td>
<td>29.6%</td>
</tr>
<tr>
<td>R05</td>
<td>Camperdown, Casterton, Edenhope, Hamilton, Portland, Warrnambool</td>
<td>2.4%</td>
<td>34.6%</td>
</tr>
<tr>
<td>R06</td>
<td>Foster, Korumburra, Leongatha, Warragul, Wonthaggi</td>
<td>2.6%</td>
<td>23.9%</td>
</tr>
<tr>
<td>R07</td>
<td>Alexandra, Benalla, Myrtleford, Seymour, Wangaratta</td>
<td>3.4%</td>
<td>33.3%</td>
</tr>
<tr>
<td>R08</td>
<td>Cobram, Deniliquin (NSW), Numurkah, Shepparton</td>
<td>3.4%</td>
<td>30.8%</td>
</tr>
<tr>
<td>R09</td>
<td>Cranbourne, Healesville, Mornington</td>
<td>5.3%</td>
<td>34.8%</td>
</tr>
<tr>
<td>R10</td>
<td>Balranald (NSW), Hopetoun, Mildura, Ouyen, Swan Hill</td>
<td>2.1%</td>
<td>27.8%</td>
</tr>
</tbody>
</table>

| GM          | Greater Melbourne Total*  | 69.0% | 24.1% |
| RV          | Regional Victoria Total** | 30.9% | 28.4% |

*  Greater Melbourne Total includes Melbourne (R00) and Cranbourne, Healesville, Mornington (R09). Consistent with Australian Bureau of Statistics (2001) census boundaries for Greater Melbourne.
** Regional Total includes all regions except Melbourne (R00) and Cranbourne, Healesville, Mornington (R09).

The proportion of respondents from Greater Melbourne (69.0%) to Regional Victoria (30.9%) contrasts well with the population proportions identified in Table 6 (Melbourne 72.4%; Regional 27.5%). This higher response rate from the regional sample was anticipated due to the perceived higher levels of significance of bank closures and general dissatisfaction with bank services in rural and regional communities (Argent & Rolley 2000; Ralston & Beal 2000). This results in regional respondents being slightly over-represented in the sample; however, this is counterbalanced by the sampling methodology being slightly imprecise through the fact that Sensis (2003b) and the Australian Bureau of Statistics (2001)
have slightly different boundaries for their Greater Melbourne listings and statistics.

### 7.8.4 Income and Employment

The income level of respondents corresponds closely with the average Victorian annual personal income. Respondents were asked to indicate their personal (gross) income according to one of six categories. These were later reduced to three categories: lower-income group (up to $20,000 per year), middle-income group ($20,001 to $50,000 per year) and upper-income group ($50,001 per year and above. The proportions for the sample are contrasted with the proportions for the population in Figure 13.

![Figure 13 Income Groups](image)


Just over a quarter (27.6%) of the sample fall within the lower-income group compared to 27.2 percent (Australian Bureau of Statistics 2001) for the population. The middle-income group is slightly underrepresented in the sample with 45.8 percent as compared to 54.5 percent of the population, likewise for the upper income group where 26.6 percent as compared to 18.3 percent of the population was represented. These discrepancies can be partly attributed the differences in the definitions of income groups between the sample and the population (the population’s middle income category is $20,806-$52,901 per year). Eight percent of the respondents declined to answer this question.

### 7.8.5 Main Bank

Data on market share of banks in Australia are very limited in supply. Market share statistics or statistics showing customer numbers are few, and figures cited
by banks are generally dubious and in some cases conflicting. Measures of market share range from total assets, number of deposits, number of customers or number of accounts, however none of these provide a perfectly comparable measure for the data collected.

Respondents were asked to provide the name of the “MAIN bank or credit union [that they] do most of [their] personal day-to-day banking”. This question ignores the number of banks the customer deals with and also defines their main bank as the one they have the most “day-to-day” dealings with. The survey yielded results showing, as expected, that the majority (82.9%) of respondents considered one of the major banks (ANZ, Commonwealth Bank, National and Westpac) as their main bank (See Figure 14). This contrasts with 1997 statistics which showed that 62.7 percent of consumers considered that their main financial institution to be a one of the major banks, 21.5 percent for regional (smaller) banks, 9.0 percent for credit unions and 5.1 percent for building societies (Wallis et al. 1997). However it should also be noted that there have been a number of takeovers by major banks of regional banks in the intervening period, most notably the Westpac takeover of the Bank of Melbourne.

Figure 14  Respondents’ Main Bank used for Personal Banking

* Westpac was known as Bank of Melbourne / Westpac at the time of the survey.
During the analysis stage, customers were regularly divided into four main groups; customers whose main bank was a major bank (see section 1.5.5 for classification) (82.9%), Bendigo Bank (5.6%), other smaller banks (3.4%) and credit unions (8.1%). The number of customers who cited Bendigo Bank as their main bank (5.6%) is important as Bendigo Bank’s marketing strategies were discussed in some depth in Chapter 5.

7.8.6 Bank Accounts
Respondents were asked to indicate what accounts they held at their main bank. Results showed that respondents hold an average of 2.50 accounts at their main bank. This compares with 1.76 accounts averaged by the major banks and 2.4 accounts with Bendigo Bank (Bendigo Bank 1996b). It must be noted that these statistics are nearly seven years older than those obtained from the questionnaire and that the questionnaire measured customer relationships with their main bank and not all relationships with banks as those provided by Bendigo Bank (1996b).

The most common account was the transaction account; 72.6 percent of respondents had a transaction account at their main bank, followed by cheque accounts (54.5%), credit accounts (54.3%), home mortgage (32.1%), investment accounts (23.5%) and personal loans (7.3%). Other accounts made up 5.3% of respondents; these accounts included business accounts, deeming accounts and investment loans.

Respondents were divided into four categories dependent on the number of accounts they had at their main bank for analysis: (1) one account (21.6% of respondents); (2) two accounts (29.5% of respondents); (3) three accounts (30.6% of respondents); and (4) four or more accounts (18.3% of respondents).

7.8.7 Proximity to Nearest Bank Branch
Respondents were asked two questions relating to the proximity of their closest bank branch: what is the metric distance to their closest bank branch to their home and also whether they had a bank branch located in their suburb or town. The rationale for collecting two items of data relating to branch proximity was that there is a greater likelihood of greater distances to bank branches in regional Victoria as opposed to in greater Melbourne, regardless of whether there is a
branch located in their home suburb or town. At present there is no publicly available data showing customer – bank branch proximity to compare with the data collected. The Australian Prudential Regulation Authority (2003) provides data on the number of points of presence (including bank branches) for all banks in Australia, however this gives no indication of proximity to customers.

Results for the metric proximity of bank branches showed that the majority of respondents (65.6%) had a bank branch (of their main bank) located within five kilometres of their home and 3.0 percent of respondents cited that their nearest bank branch was more than 30 kilometres away. Respondents were divided into four categories dependent on the metric proximity to their nearest bank branch to their home; (1) under 5 kilometres (65.6% of respondents); (2) between 5 and 10 kilometres (17.1% of respondents); (3) over 10 kilometres (15.2% of respondents); (4) no bank branches (2.1% of respondents). On occasion categories 3 and 4 were collapsed.

Results for the local proximity of bank branches showed that 63.5 percent of respondents had a bank branch (of their main bank) located in their town. Respondents were again divided into four categories: (1) bank branch located in same suburb or town (63.5% of respondents); (2) bank branch located in the next suburb or town (23.9% of respondents); (3) bank branch is located more than two suburbs or towns away (10.7% of respondents); (4) no bank branches (2.1% of respondents). On occasion categories 3 and 4 were collapsed.

Data collected in both questions appeared consistent, with the same 2.1 percent of respondents citing that their bank has no branches in both questions. Furthermore simple cross tabulation of results from both questions showed consistency of responses between both questions. The locality proximity of bank branch provided a better means of comparison of bank branch proximity between Victorian regional and greater Melbourne respondents.

7.9 Summary
This chapter addressed the key issues relating to the research methodology used in the collection of consumer opinions, attitudes and perceptions. Particular
emphasis was placed on the pre-testing of the survey instrument and the justification of the types of questions and scales used in it. Discussion also focused on the complex sampling methodology used to assemble a sample which accurately represented the spatial diversity of the Victorian adult population.

As there were no existing scales which adequately looked at consumer trust relationships with banks, particularly in terms of institution-based trust, new scales were developed. Accordingly, this meant these major scales needed to be tested to ascertain their reliability. This was achieved through (Cronbach’s) coefficient alpha and exploratory factor analysis. All eight constructs demonstrated acceptable reliability and validity.

The analysis of the results from the consumer survey is presented in the next chapter.
8

Results

Consumer Survey

8.1 Introduction

This chapter presents the results of the data analysis. The methodological framework used for the analysis of the data achieved from the questionnaire was outlined in Chapter 7. The methodology outlined the survey procedure used to obtain data related to the six key research questions and twenty three hypotheses outlined in the hypotheses development chapter (see Chapter 6). The aim of this chapter is to report the findings related to the research questions by responding to each of the hypotheses. The data analysis is therefore structured around the hypotheses.

As stated in Chapter 6, the five key research questions to be addressed are:

1. Are bank branches antecedents of consumer trust in a retail banking entity and are they still necessary?
2. What are consumers’ perceptions of the social roles of banks and bank branches?
3. Have consumers’ perceptions of the obligations of the bank evolved with the banks in new technology?
4. Is institutional stature a determinant of consumers’ ability to trust the entire banking entity?
5. Does institutional stature affect consumers’ ability to trust banks in an electronic environment?

This chapter presents the results in the order of the hypotheses outlined in Table 14. The 23 hypotheses were grouped into eight main themes (see Table 14) which are used when presenting the results (see section 8.2).

<table>
<thead>
<tr>
<th>Number</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Banks and Businesses</strong></td>
</tr>
<tr>
<td></td>
<td>Hypothesis 1 Consumers believe that a bank has a purpose beyond banking services.</td>
</tr>
<tr>
<td></td>
<td><strong>Banks and Social Obligations</strong></td>
</tr>
<tr>
<td></td>
<td>Hypothesis 2 Consumers believe that banks have social obligations.</td>
</tr>
<tr>
<td></td>
<td><strong>Bank Branches and Local Community</strong></td>
</tr>
<tr>
<td></td>
<td>Hypothesis 3 Consumers believe that bank branches are important for the communities they serve.</td>
</tr>
<tr>
<td></td>
<td>Hypothesis 4 Consumers believe that bank branches are important for the communities they serve in comparison to other services.</td>
</tr>
<tr>
<td></td>
<td>Hypothesis 5 Consumers believe that physical branches are important.</td>
</tr>
<tr>
<td></td>
<td>Hypothesis 6 Consumers do not use bank branch facilities as often as they use electronic facilities.</td>
</tr>
<tr>
<td></td>
<td><strong>Banks and Trust – Relationship Power Asymmetries</strong></td>
</tr>
<tr>
<td></td>
<td>Hypothesis 7 Consumers value their relationship with their bank.</td>
</tr>
<tr>
<td></td>
<td>Hypothesis 8 Consumers do not believe that banks value their relationship with them as customers.</td>
</tr>
<tr>
<td></td>
<td>Hypothesis 9 Consumers believe that their bank does not value them, as much as they value their bank.</td>
</tr>
<tr>
<td></td>
<td><strong>Banks and Trust – Physical Presence</strong></td>
</tr>
<tr>
<td></td>
<td>Hypothesis 10 Consumers are less likely to identify with their bank branch than with the banking entity as a whole</td>
</tr>
<tr>
<td></td>
<td>Hypothesis 11 Community Bank customers are more likely to identify with the tangible attributes of their bank than non-Community Bank customers.</td>
</tr>
<tr>
<td></td>
<td>Hypothesis 12 Consumers trust the physical branches of banks more than the Internet presence.</td>
</tr>
<tr>
<td></td>
<td>Hypothesis 13 Consumers trust their bank branch’s management and staff.</td>
</tr>
<tr>
<td></td>
<td>Hypothesis 14 Consumers are more likely to trust banks that have local physical bank branches.</td>
</tr>
<tr>
<td></td>
<td><strong>Deinstitutionalisation and Banks</strong></td>
</tr>
<tr>
<td></td>
<td>Hypothesis 15 Consumers believe that banks close down branches in small communities because they are unprofitable.</td>
</tr>
<tr>
<td></td>
<td>Hypothesis 16 Consumers would prefer local availability of electronic banking services over local bank branch services.</td>
</tr>
<tr>
<td></td>
<td>Hypothesis 17 Consumers would prefer to use Internet banking over bank branches.</td>
</tr>
</tbody>
</table>
Deinstitutionalisation and Banks – Consumer Trust

Hypothesis 18 Consumers believe that banks are less trustworthy than in the past.

Hypothesis 19 Consumers believe that all the major banks are the same in terms of trustworthiness.

Hypothesis 20 Consumers do not trust the major banks as much as smaller banks and credit unions.

Hypothesis 21 Consumers trust Community Banks more than major banks.

Deinstitutionalisation and Banks – Social Obligations

Hypothesis 22 Consumers believe that social obligations were met in the past.

Hypothesis 23 Consumers do not believe that banks currently meet their social obligations as well as in the past.

The eight themes indicated are consolidated into three key sections: (8A) Banks and Institutional Stature, (8B) Banks and Trust, and (8C) Deinstitutionalisation and Banks, in order to break the chapter into manageable partitions.

8.1.1 The Conceptual Framework

A conceptual framework indicates how the researcher views the concepts involved in a study – especially the relationship between concepts (Ticehurst & Veal 1999). The conceptual framework for this study presents the five key attributes (which are postulated to be interrelated) that lead to a bank’s potential institutional stature. The attributes, bank-to-consumer power symmetry, local bank branches, local community focus, social obligation fulfilment and other non-business attributes, were drawn from the literature as potential attributes that contribute to banks’ institutional stature. Figure 15 shows the conceptual map which indicates the postulated links between these attributes and consumers’ perceptions of trust and brand and their trusting behaviour.
The last attribute, “other non-business attributes”, has been included to allow for any other non-business attributes that may not have been identified from the literature reviews but are identified by respondents as indicators of institutional stature. As the literature searches undertaken alluded to a link between institutional stature and consumer trust, this link is tested. Furthermore the levels of trust are tested in two main ways: consumer beliefs of the trustworthiness of their own and various banking entities and through the measurement of consumer trusting behaviour.

8.1.2 Data Analysis and Display
Chapter 7 showed the full methodology employed for the data collection process. Furthermore it tested the reliability of the key scales used to measure the eight key constructs key to the conceptual framework. The data are presented under the relevant hypotheses. Various forms of analysis were employed including
ANOVA$s$, \( t \)-tests, factor analyses and other nonparametric tests including chi-squares.

For each individual hypothesis, the results of each of the key tests are presented with the relevant method explained. Also, other relevant data relating closely to the hypotheses are presented; this includes descriptive statistics, cross-tabulations with other respondent variables with associated means comparisons tests, other responses to related questions and in some cases qualitative data obtained from open questions. Other non-core data were included to provide a richer picture of consumers’ beliefs and attitudes and also to add weight to the core hypotheses tests that were undertaken.

### 8.2 Hypothesis Testing

The hypotheses have been grouped under the eight themes similar to those in Chapter 6: (1) Banks and Businesses, (2) Banks and Social Obligations, (3) Bank Branches and Local Community, (4) Banks and Trust – Relationship Power Asymmetries, (5) Banks and Trust – Physical Presence, (6) Deinstitutionalisation and Banks, (7) Deinstitutionalisation and Banks – Consumer Trust, and (8) Deinstitutionalisation and Banks – Social Obligations.
Section 8A

Banks and Institutional Stature

8.2.1 Business and Banks

This theme reviews the data collected that explores the differences in relationships between banks and consumers when contrasted with the conventional business-to-consumer model. Many studies reviewed in the literature in Chapter 3 suggested that the bank-to-consumer relationship could possibly be of a different calibre from that of the business-to-consumer relationship. It was proposed in this study that a range of non-business attributes identified in the literature operates in association with perceived social obligation fulfilment, local community focus and power symmetry to lead to a bank’s institutional stature.

Figure 16 shows the propositional relationship between non-business attributes and institutional stature, and its position in the overall conceptual map.
Quantitative measures were used to determine if respondents believed that banks were dissimilar to conventional businesses. However, most of the data reviewed and analysed in this section were qualitative in nature. This is because the purpose of this section was to investigate the relevant attributes of banks which make them distinct from conventional businesses, but are not included in the institutional attributes discussed in Chapter 4. Therefore, many of the results presented in this section are exploratory in nature (Malhotra et al. 1996; Sellitz et al. 1976), as the aim is to provide insights into, and an understanding of, how respondents distinguish banks as different from other conventional business.

8.2.1.1 Hypothesis 1 – Consumers believe that a bank has a purpose beyond banking services

Two key questions solicited responses that were related to this hypothesis. One of the questions asked respondents to respond to the statement “Banks provide more than just banking services” and the other “There’s more to banks than just dealing in money”. Responses to these two questions were used in combination to produce a scale that represented extra-business bank services: SerB. Measurement of the reliability of the SerB scale was achieved through employing Cronbach’s coefficient alpha (see Table 15).

<table>
<thead>
<tr>
<th>Item</th>
<th>Measure</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>SerB1</td>
<td>Banks provide more than just banking services</td>
<td>0.664</td>
</tr>
<tr>
<td>SerB2</td>
<td>There’s more to banks than just dealing in money</td>
<td></td>
</tr>
</tbody>
</table>

The scale yielded an alpha score above 0.65 (α = 0.664), which meant the scale demonstrated acceptable reliability (DeVellis 1991).

The scale (composed of 2 items) had an overall mean of 7.21 (SD = 1.56), where a score between 6.1 and 10 implied a degree of agreement that banks have a purpose beyond banking services. 69.5 percent of respondents showed some level agreement that banks have a purpose beyond banking services.

To test the hypothesis a one-sample t-test was undertaken on the scale. A t-test is a parametric test, which provides inferences for making statements about the means of parent populations (Malhotra et al. 1996). The data collected met the
general requirements for the \( t \)-test: it was interval in nature, it was from a random sample and the scores were normally distributed in the population (Coakes & Steed 2003; Miller et al. 2002). The null hypothesis (\( H_0 \)) for this test was: consumers neither believe nor disbelieve that a bank has a purpose beyond banking services (\( H_0: \mu = 6 \)). For hypothesis 1 to be accepted a mean that was significantly greater than 6 was needed to be yielded (\( H_1: \mu > 6 \)). The results from the \( t \)-test for SerB are shown in Table 16.

### Table 16 One-Sample \( t \)-Test – SerB

<table>
<thead>
<tr>
<th></th>
<th>( t )</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>SerB</td>
<td>16.621</td>
<td>461</td>
<td>.000</td>
<td>1.210</td>
<td>1.07 – 1.35</td>
</tr>
</tbody>
</table>

Test Value = 6

The two-tail significance was 0.000, which was less than 0.05, and showed that the difference between the means was significant (Malhotra et al. 1996; Tabachnick and Fidell 1996). The test showed that \( t(461) = 16.621, p < 0.001 \) (The odds of type I error are less than one in one thousand). The research hypothesis that consumers believe that a bank has a purpose beyond banking services was upheld, and the null hypothesis was rejected.

**8.2.1.2 Other Findings**

Question 29 from the questionnaire was an optional open question which asked respondents if they had “any further comments [they] wish to make about banking.” The data collected from this question were qualitative in nature which, if used in its raw form, cannot be used to test an hypothesis definitively. However, it provided a rich source of comment useful to explore respondents’ views on why they believe that banks are different from other conventional businesses.

One argument put forth by a number of respondents was that banks and credit unions were core services in a modern society and that these services were unavoidable in modern society particularly for those in paid employment, and this is what made them distinct from that of conventional businesses.
You cannot avoid contact with a bank/credit union in modern society so they are not just like any other business. (Respondent 0437: Female, 51, Greater Melbourne)

Also, it was commonly mentioned that the government requires people who are receiving financial support to have a bank account to be able to collect their government benefits.

People are forced to use banks – for pay / social security / loans – banks owe it to the community to provide low cost banking… (Respondent 0726: Female, 33, Greater Melbourne)

Further supporting the notion that banks are seen as an entity distinct from a conventional business, some respondents noted that governments had mechanisms in place to protect banks that go beyond that of mechanisms to protect businesses generally, therefore banks were seen as different from regular businesses.

Because they are “licensed” to operate, they are in a privileged position and should not operate as “any business” with a view only to costs and profits. (Respondent 0746: Male, 50, Regional Victoria)

A further test was conducted to see whether consumers believed that banks are seen as similar or dissimilar to other businesses. A $t$-test was conducted on the responses to the statement “Banks are just like any other business” ($M = 3.66$, $SD = 1.02$, where a mean greater than 3 suggested an overall degree of agreement). 74.5 percent of respondents to some level agreed with the statement. It was found that there was a significant level of agreement with this statement ($t(464) = 13.914$, $p < 0.001$). This presents a converse argument that consumers believe that banks are just like any other business. However, it must be noted that this was a loaded statement to begin with and that, because the results represent only one item, it could not be tested for reliability.

The preponderance of the evidence in this section showed support for the distinction made by consumers between “banks” and “conventional business”.
8.2.2 Banks and Social Obligations

This section presents results pertaining to respondents’ beliefs and attitudes to banks’ social obligations. The relevant concepts and hypothesised relationships are shown in Figure 17.

To address these relationships, three key questions were asked; (1) Do banks have social obligations? (2) What are the banks’ social obligations? (3) How important are these social obligations? Although these three questions amount to multiple hypotheses, they were just tested with one (Hypothesis 2). However, these questions were asked of each respondent and the results have been included under section 8.2.2.1. There were a number of supplementary questions which focused on the relationship between social obligations and the local community, which produced results supporting this relationship. Moreover, an open ended question
asking respondents to identify what they thought banks’ social obligations were provided evidence that supported this postulated relationship.

**8.2.2.1 Hypothesis 2 – Consumers believe that banks have social obligations**

Two key questions solicited responses that related to this hypothesis. One of the questions asked respondents to respond to the statement “Banks have social obligations to the community” and the other “Banks have an obligation to serve the community”. Responses to these two questions were used in combination to produce a Social Obligation scale (SocOb). Measurement of the reliability of the Social Obligations scale was achieved through employing Cronbach’s coefficient alpha (see Table 17).

<table>
<thead>
<tr>
<th>Table 17</th>
<th>Measurement Scale – Banks’ SocOb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
<td>Measure</td>
</tr>
<tr>
<td>SocOb1</td>
<td>Banks have social obligations to the community.</td>
</tr>
<tr>
<td>SocOb2</td>
<td>Banks have an obligation to serve the community.</td>
</tr>
</tbody>
</table>

The scale yielded an alpha score above 0.65 (α = 0.660), which meant the scale demonstrated acceptable reliability (DeVellis 1991).

The scale (composed of 2 items) had an overall mean of 8.04 (SD = 1.56), where a score between 6.1 and 10 implied a degree of agreement that banks have a social obligation to the community. 71.1 percent of respondents showed some agreement that banks have a social obligation to the community. To test the hypothesis a one-sample t-test was undertaken on the scale. The null hypothesis (H0) for this test was: consumers neither believe nor disbelieve that banks have a social obligation to the community (H0: μ = 6). For hypothesis 2 to be accepted a mean that was significantly greater than 6 was needed be yielded (H2: μ > 6). The results from the t-test for SocOb are shown in Table 18.

<table>
<thead>
<tr>
<th>Table 18</th>
<th>One-Sample t-Test – SocOb</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>t</td>
</tr>
<tr>
<td>SocOb</td>
<td>28.119</td>
</tr>
</tbody>
</table>

Test Value = 6
The test showed that $t(459) = 28.119, p < 0.001$ (The odds of type I error are less than one in one thousand). The research hypothesis that consumers believe that banks have social obligations was upheld, and the null hypothesis was rejected.

To gain a richer picture of the characteristics of the respondents who were more likely to believe that banks have a social obligation to the community, the data were subjected to a series of independent-sample $t$-tests and ANOVA tests. The construct was tested using one-way ANOVA (with post-hoc comparisons) where the SocOb scale was the dependent variable and various respondent characteristics, including sex, age, location, their main bank and proximity to nearest bank branch, were used as the independent variables. The aim of the ANOVA is to deduce if there is any significant variance between various independent groups in the sample (Coakes & Steed 2003; Malhotra et al. 1996; Miller et al. 2002). Post-hoc comparisons were used in conjunction with the ANOVAs because they enable the comparison between each individual independent group and protect against type I errors given that all possible comparisons are made (Coakes & Steed 2003; Miller et al. 2002).

There are a number of post-hoc tests available. The more options a test offers, the stricter its determination of significance (Coakes & Steed 2003). Although the Scheffe post-hoc performs every possible comparison, it is stringent on rejecting the null hypothesis and is often cited as conservative (Miller et al. 2002). Tukey’s honesty significant difference (HSD) is more lenient, but is more restricted in terms of types of comparison it makes (Coakes & Steed 2003), HSD is more commonly used (Miller et al. 2002).

Further ANOVA and $t$-test analyses produced the following results:

- The gender of the respondent had a significant effect ($t(456) = -2.227, p = 0.026$), with women more likely to believe that banks have a social obligation to the community ($M = 8.20, SD = 1.47$), than men ($M = 7.87, SD = 1.64$).

- All other independent variables tested showed no statistically significant effect on respondents’ likelihood to believe that banks have a social obligation to the community: age ($F(3, 450) = 0.323, p = 0.809$), location ($t(458) = 0.304, p = 0.761$), main bank ($t(458) = -0.593, p = 0.553$), local proximity of nearest
bank branch \((F(2, 457) = 0.984, p = 0.375)\), metric proximity of nearest branch \((F(2, 457) = 1.900, p = 0.151)\).

The latter question, “In your opinion, what are banks’ social obligations to the community?” yielded a qualitative response from 67.1 percent of respondents. Key themes were distilled from the responses, via a basic content analysis (Miles & Huberman 1994; Ryan & Bernard 2000). The framework used for the content analysis of the data obtained therefore emerged as the themes were deciphered from the responses given (Miles & Huberman 1994; Ryan & Bernard 2000). The degree of recurrence of the deciphered themes from the responses to the question provides an impression of key issues and feelings that respondents had and furthermore allows a quasi-statistical representation of these deciphered themes (King 1994).

Table 19 presents the themes deciphered from the responses. Themes derived from the responses were grouped into major theme categories based on their interrelatedness. As there were a number of themes in responses which were related to support of local community, these were grouped under the theme “Support Local Community” (36.3% of responses). Other responses relating to specific branch services were grouped under the major theme “Bank Branch” (32.8% of responses) and the responses that related to various disadvantaged members of the community were grouped under the “Support Services for Disadvantaged” major theme (28.3% of responses).
<table>
<thead>
<tr>
<th>Theme</th>
<th>No. of Respondents</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support Charities</td>
<td>13</td>
<td>4.1%</td>
</tr>
<tr>
<td>Support Environment Initiatives</td>
<td>1</td>
<td>0.3%</td>
</tr>
<tr>
<td>Support Local Community (General)*</td>
<td>50</td>
<td>15.9%</td>
</tr>
<tr>
<td>Development of Community Infrastructure</td>
<td>8</td>
<td>2.5%</td>
</tr>
<tr>
<td>Support Local Business</td>
<td>14</td>
<td>4.5%</td>
</tr>
<tr>
<td>Support Local Community Social Events</td>
<td>7</td>
<td>2.2%</td>
</tr>
<tr>
<td>Support Local Community Organisations</td>
<td>25</td>
<td>8.0%</td>
</tr>
<tr>
<td>Employ Local People</td>
<td>10</td>
<td>3.2%</td>
</tr>
<tr>
<td>Support Local Community (Total)</td>
<td>114</td>
<td>36.3%</td>
</tr>
<tr>
<td>Flexible Hours</td>
<td>7</td>
<td>2.2%</td>
</tr>
<tr>
<td>Face-to-Face Services - Social Contact</td>
<td>24</td>
<td>7.6%</td>
</tr>
<tr>
<td>Local Branch Access</td>
<td>37</td>
<td>11.8%</td>
</tr>
<tr>
<td>ATM Safety</td>
<td>3</td>
<td>1.0%</td>
</tr>
<tr>
<td>Rural Branchs</td>
<td>5</td>
<td>1.6%</td>
</tr>
<tr>
<td>Customer Service</td>
<td>27</td>
<td>8.6%</td>
</tr>
<tr>
<td>Bank Branch (Total)</td>
<td>103</td>
<td>32.8%</td>
</tr>
<tr>
<td>Support Services for Disadvantaged (General)*</td>
<td>45</td>
<td>14.3%</td>
</tr>
<tr>
<td>Support Services for Pensioners / Elderly</td>
<td>25</td>
<td>8.0%</td>
</tr>
<tr>
<td>Support Services for Students</td>
<td>1</td>
<td>0.3%</td>
</tr>
<tr>
<td>Support Services for Disabled</td>
<td>1</td>
<td>0.3%</td>
</tr>
<tr>
<td>Support Services for Financially Disadvantaged</td>
<td>17</td>
<td>5.4%</td>
</tr>
<tr>
<td>Support Services for Disadvantaged (Total)</td>
<td>89</td>
<td>28.3%</td>
</tr>
<tr>
<td>Minimise Fees / Interest</td>
<td>29</td>
<td>9.2%</td>
</tr>
<tr>
<td>Encourage Children to Bank</td>
<td>5</td>
<td>1.6%</td>
</tr>
<tr>
<td>Financial Advice</td>
<td>35</td>
<td>11.1%</td>
</tr>
<tr>
<td>Basic Utility</td>
<td>34</td>
<td>10.8%</td>
</tr>
<tr>
<td>None</td>
<td>21</td>
<td>6.7%</td>
</tr>
<tr>
<td>Not Sure</td>
<td>7</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

N = 314 (67.1% of total respondents)
*  Includes respondents whose responses fit two or more themes in the master theme.

The term “community” (and derivatives) appeared in 127 instances in the responses to this question. This reflected the 36.3 percent of responses which referred directly to respondents’ local community and to a lesser extent the bank branch theme. Another commonly used term was “profit” (and derivatives) which appeared in 30 instances.
General responses to this question reflected mixed views from respondents and suggested that the preponderance of respondents believe that banks have a social obligation to uphold. 6.7 percent of responses indicated that banks have no social obligation, 2.2 percent of responses said “not sure” and 10.8 percent of responses suggested that basic utility functions (e.g. providing a service, keep account holders’ money safe, protect customers’ savings) were the banks’ social obligations. Some respondents included the reason that they believed that banks have a have social obligation, for instance:

They exist in a modern economy supported (underwritten) by the Federal Reserve. In a sense they are supported by the taxpayer and so should be regarded as a quasi public service entity with respect to all financial matters. (Respondent 1102: Male, 49, Regional Victoria)

Further to this argument, one respondent wrote:

In exchange for their privileged and protected position in the financial system, banks have an obligation to provide convent services to all sections of the community at a cost that is affordable. (Respondent 1316: Male, 56, Greater Melbourne)

The preponderance of the evidence in this section shows subjective support by respondents for the idea that banks have a social obligation to the community.

8.2.3 Bank Branches and Local Community

This section presents results pertaining to respondents’ beliefs and attitudes to the role of their bank (and banks in general) in their local community. Also results are presented on the respondents’ beliefs, attitudes and recorded behaviours in relation to their local bank branch. In essence this section presents results which reflect the role of banks in community and the institutional attributes of a bank branch. In doing this it also looks at the counterpoint, by comparing the utility and symbolic functions through the use of behavioural data collected. The relevant concepts and hypothesised relationships are shown in Figure 18.
The emphasis of the four hypotheses is related to the postulated discrepancy in the believed importance placed in bank branches and the actual usage (behaviour) of the bank branch facility. The key constructs that were analysed in this section were the BBIfCo (Bank Branches – Important for Communities) and BBIfCu (Bank Branches – Important for Customers), which both demonstrated acceptable reliability (BBIfCo: $\alpha = 0.717$; BBIfCu: $\alpha = 0.693$) in chapter 7.

8.2.3.1 Hypothesis 3 – Consumers believe that bank branches are important for the communities they serve

The key construct related to this hypothesis test is BBIfCo which is the scale that represents the importance of bank branches in the community. The construct (composed of 4 items) had an overall mean of 16.7 ($SD = 2.36$), where a score between 12.1 and 20 implied a degree of agreement that bank branches are important for the communities they serve. Along with an overall 95.1 percent
agreement from respondents, this mean showed a high degree of agreement amongst respondents.

To test the hypothesis a one-sample \( t \)-test was undertaken on the construct. The null hypothesis (\( H_0 \)) for this test was consumers believe that bank branches are neither important nor unimportant for the community (\( H_0: \mu = 12 \)). For hypothesis 3 to be accepted, a mean that was significantly greater than 12 was needed to be yielded (\( H_3: \mu > 12 \)). The results from the \( t \)-test for BBIfCo are shown in Table 20.

<table>
<thead>
<tr>
<th>Table 20 One-Sample ( t )-Test – BBIfCo</th>
</tr>
</thead>
<tbody>
<tr>
<td>( t )</td>
</tr>
<tr>
<td>BBIfCo</td>
</tr>
</tbody>
</table>

Test Value = 12

The two-tailed significance was .000, which was less than .05 and showed that the difference between the means is significant. The test showed that \( t(464) = 43.288, p < 0.001 \). The research hypothesis that consumers believe that bank branches are important for the community they serve was upheld, and the null hypothesis was rejected.

Further ANOVA and \( t \)-test analyses produced the following results:

- Age did have a significant effect on whether respondents believed that bank branches were important for the community they serve (\( F(3, 455) = 3.024, p = 0.029 \)). However the Tukey HSD test showed that the significant difference occurred between respondents aged between 35 and 49 and respondents aged between 50 and 64 (\( HSD = 0.783, p = 0.023 \)). Respondents aged between 50 and 64 were more likely to believe that bank branches were important for the community (\( M = 17.09, SD = 2.32 \)), than respondents aged between 35 and 49 (\( M = 16.31, SD = 2.34 \)).
- Location, whether Greater Melbourne or Regional Victoria, was not a significant influence on whether respondents believed that bank branches were important for the community (\( t(463) = 1.895, p = 0.059 \)).
• Whether respondents’ main bank was a major bank, smaller bank or credit union had no significant bearing on whether they believed that bank branches were important for the community ($t(463) = 1.007, p = 0.315$).

• Local proximity and metric proximity to nearest bank branch were not a significant influence on whether respondents believed that bank branches were important for the community ($F(2, 462) = 0.881, p = 0.415$ and $F(2, 462) = 1.799, p = 0.167$ respectively).

Overall, these tests showed that there was an overall general agreement across all respondents of the importance of bank branches for community, with only some variances in belief of importance across some age categories. However, all age categories shared a general agreement that bank branches were important for the community that they serve.

8.2.3.2 Hypothesis 4 – Consumers believe that bank branches are important for the communities they serve in comparison to other services

The key data related to this hypothesis are derived from question 15 from the questionnaire, where respondents were asked to rate the importance of ten specified shops and services to a community (listed in Table 21). The purpose of this was to see how important respondents ranked bank branches in comparison to other common shops and services.

<table>
<thead>
<tr>
<th>Shop/Service</th>
<th>Greater Melbourne</th>
<th></th>
<th>Regional Victoria</th>
<th></th>
<th>Overall Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M</td>
<td>SD</td>
<td>Rank</td>
<td>M</td>
<td>SD</td>
</tr>
<tr>
<td>Chemist</td>
<td>4.79</td>
<td>.471</td>
<td>1</td>
<td>4.73</td>
<td>.546</td>
</tr>
<tr>
<td>Post Office</td>
<td>4.71</td>
<td>.532</td>
<td>3</td>
<td>4.78</td>
<td>.501</td>
</tr>
<tr>
<td>Supermarket</td>
<td>4.75</td>
<td>.505</td>
<td>2</td>
<td>4.67</td>
<td>.591</td>
</tr>
<tr>
<td>School</td>
<td>4.65</td>
<td>.717</td>
<td>4</td>
<td>4.81</td>
<td>.470</td>
</tr>
<tr>
<td>Police Station</td>
<td>4.50</td>
<td>.818</td>
<td>5</td>
<td>4.68</td>
<td>.680</td>
</tr>
<tr>
<td>Bank Branch</td>
<td>4.41</td>
<td>.751</td>
<td>6</td>
<td>4.59</td>
<td>.588</td>
</tr>
<tr>
<td>Newsagent</td>
<td>4.34</td>
<td>.833</td>
<td>8</td>
<td>4.44</td>
<td>.761</td>
</tr>
<tr>
<td>ATM</td>
<td>4.39</td>
<td>.869</td>
<td>7</td>
<td>4.25</td>
<td>.973</td>
</tr>
<tr>
<td>Milk Bar / Convenience Store</td>
<td>3.77</td>
<td>1.136</td>
<td>9</td>
<td>4.04</td>
<td>1.002</td>
</tr>
<tr>
<td>Pub / Hotel</td>
<td>3.04</td>
<td>1.339</td>
<td>10</td>
<td>3.64</td>
<td>1.213</td>
</tr>
</tbody>
</table>
To test if there was a significant difference between the perceived importance of each service in comparison to the bank branch, paired-samples t-tests were conducted on the responses to each service in comparison to the bank branch. For the total responses, chemists ($t(464) = 9.567, p < 0.001$), police stations ($t(463) = -2.412, p = 0.016$), post offices ($t(464) = 8.179, p < 0.001$), schools ($t(462) = -6.080, p < 0.001$) and supermarkets ($t(463) = 7.347, p < 0.001$) were seen as significantly more important to the bank branch in the community. Furthermore, bank branches were seen as significantly more important to the community than ATMs ($t(461) = 2.674, p = 0.008$), milk bars and convenience stores ($t(461) = 11.290, p < 0.001$), newsagents ($t(462) = -2.465, p = 0.014$) and pubs and hotels ($t(464) = 19.663, p < 0.001$). Significance tests undertaken on the various services with respondents grouped under Greater Melbourne and Regional Victoria were consistent with the rankings shown in Table 21.

Independent t-tests were employed to observe if there were any significant distinctions between responses received about the importance of services between regional Victoria and greater Melbourne respondents. Regional respondents were significantly more likely to believe that bank branches ($t(390.132) = -2.758, p = 0.006$), milk bars and convenience stores ($t(390.132) = -2.758, p < 0.001$), police stations ($t(372.170) = -2.549, p = 0.011$), pubs and hotels ($t(348.349) = -4.933, p < 0.001$) and schools ($t(438.964) = -2.714, p = 0.007$) were important for the community than greater Melbourne respondents. Perceptions of all other services were not significantly different between regional Victoria and greater Melbourne respondents.

The importance rankings for regional Victoria, greater Melbourne and total respondents (see Table 21) showed that in each case the bank branch ranked as the sixth most important service. Initially this did not present a strong case for supporting the hypothesis, however there were two factors which highlighted the need for further investigation: in all instances the bank branch ranked higher than ATMs and the five services ranked above the bank branch all have an implicit social function in a community which is consistent with the overall conceptual framework. In the community police stations provide safety, chemists provide health advice, schools provide education, post offices provide various government and social services and communications, and supermarkets provide food. Of these
five services, the supermarket has probably the least strong social function and greatest business imperative.

To investigate responses to this question further, a factor analysis was carried out on the data. The underlying purpose of using a factor analysis in this context was to group the 10 shops and services into separate categories where respondents had similar attitudes to importance. The purpose was to provide an indication of how respondents were grouping the various services, when responding to the questions.

Two rotation and two extraction methods were trialled when conducting the factor analysis on the data: varimax rotation and oblimin, and maximum likelihood and principal axis factoring, respectively. Each of the methods provided a relatively universal result, however the direct oblimin rotation and maximum likelihood extraction (see Table 22) yielded results which had most services loaded under single factors which facilitates superior analysis. The KMO value was 0.826, confirming the data were suitable for factor analysis, and the Bartlett test of sphericity yielded a highly significant $\chi^2(45) = 1288.368, p < 0.001$. For the purpose of interpretation, each factor comprised variables loaded 0.35 or higher on that factor. The results of the factor analysis (Table 22) loaded the various factors under three factors. In the one instance (chemist) where the variable loaded under two factors, the variable was assigned to the factor where it had the highest loading (Factor 1) (Coakes & Steed 2003; Tabachnick & Fidell 1996). The three factor solution explained 60.2 percent of the variance.
Six of the services loaded under factor one, and most of these services were the ones listed in the first six of the ranked services in Table 21, except for the newsagent which replaced the supermarket. Milk bars/convenience stores and pubs/hotels loaded under factor two, showing that respondents generally ranked them both in a similar manner. ATMs and supermarkets loaded under factor three. Considering each factor represents a commonality in responses driving an underlying structure (Tabachnick & Fidell 1996), these factors should represent a similarity between the loaded services. This was not immediately evident in this analysis, although potentially factor three could represent basic utility services, factor two non-essential services and factor one basic or social services (although the newsagent may be a potential anomaly).

Overall the testing for hypothesis 4 produced no definitive result. Although the bank branch ranked overall as the sixth most important service to a community, it also outranked the other four services. Many of the services which ranked higher than the bank branch were also services which have a social function.

8.2.3.3 Hypothesis 5 – Consumers believe that physical branches are important.

The key construct used to test this hypothesis was BBIfCu. To test this hypothesis a one-sample \( t \)-test was undertaken on the construct to discover if respondents were more likely to believe that bank branches were important, and whether this
likelihood was significant. The mean of this scale was 16.35 (SD = 2.85) where a mean between 12.1 and 20 implied a level of agreement. Along with overall agreement from 89.5 percent of respondents, this mean showed a high degree of agreement by respondents.

The null hypothesis (H₀) for this hypothesis was: consumers believe that physical branches are neither important nor unimportant. The construct was composed of four items with a maximum scale score of 20 and a minimum scale score of 4. For the null hypothesis to be retained a mean score of 12 was needed to be obtained (H₀: μ = 12). For hypothesis 5 to be accepted a mean that was significantly greater than 12 was needed to be yielded (H₅: μ > 12). The results from the t-test for RelCVB are shown in Table 23.

Table 23 One-Sample t-Test – BBIfCu

<table>
<thead>
<tr>
<th></th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBIfCu</td>
<td>32.579</td>
<td>455</td>
<td>.000</td>
<td>4.35307</td>
<td>4.0905 – 4.6157</td>
</tr>
</tbody>
</table>

Test Value = 12

The two tail significance was less than 0.001, which was less than .05, and showed that the difference between the means was significant. The test showed that \( t(455) = 32.579, p > 0.001 \). The research hypothesis that consumers believe that physical branches are important was upheld, and the null hypothesis was rejected.

Further t-tests and ANOVAs were used to test the BBIfCu construct against respondent variables. Regional Victorian respondents had a mean bank BBIfCu score (\( M = 16.76, SD = 2.46 \)) that was higher than Greater Melbourne respondents (\( M = 16.14, SD = 3.02 \)). The difference between greater Melbourne and regional Victorian consumers beliefs of the importance of bank branches was significant (\( t(377.468) = -2.387, p = 0.017 \)).

As well as location, local proximity to nearest bank branch was a significant indicator of consumers’ belief about the importance of the bank branches (\( F(2, 453) = 6.768, p = 0.001 \)). Respondents who had a bank branch in their town or
suburb \((M = 16.44, SD = 2.81)\) or in the next suburb \((M = 16.78, SD = 2.42)\) had similar beliefs of the importance of bank branches. However, respondents whose nearest bank branch was more than one town or suburb away (or if their bank had no branches) \((M = 15.14, SD = 3.47)\) were significantly less likely to believe that bank branches are important (In the suburb or town where I live: \(HSD = 1.298, p = 0.004\); in the next suburb or town: \(HSD = 1.642, p = 0.001\)).

Mean BBIfCu scores were significantly different \((F(3, 452) = 9.304, p < 0.001)\) depending on respondents’ main bank (See Table 24)

<table>
<thead>
<tr>
<th>Bank</th>
<th>N</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Banks</td>
<td>378</td>
<td>16.54</td>
<td>2.710</td>
</tr>
<tr>
<td>Bendigo Bank</td>
<td>26</td>
<td>17.19</td>
<td>2.281</td>
</tr>
<tr>
<td>Other Banks</td>
<td>15</td>
<td>13.53</td>
<td>3.739</td>
</tr>
<tr>
<td>Credit Unions</td>
<td>37</td>
<td>15.02</td>
<td>3.312</td>
</tr>
</tbody>
</table>

\(N = 456\)

Respondents whose main bank was one of the major banks were significantly more likely to believe that bank branches are important than consumers who bank with one of the other banks \((HSD = 3.004, p < 0.000)\) or a credit union \((HSD = 1.510, p = 0.009)\). Also, respondents whose main bank was Bendigo Bank were significantly more likely to believe that bank branches are important than respondents who bank with one of the other banks (apart from the major banks) \((HSD = 3.659, p < 0.001)\) or a credit union \((HSD = 2.165, p = 0.013)\).

Age was a significant indicator \((F(3, 446) = 3.973, p = 0.008)\) in terms of respondents’ beliefs of the importance of banks. However this difference was only significant for respondents who were aged between 35 and 49 \((M = 15.81, SD = 3.060)\) and respondents between the ages of 50 and 64 \((M = 16.77, SD = 2.773)\) and 65 and over \((M = 16.84, SD = 2.630)\) \((50-64: HSD = 0.958, p = 0.020; 65+: HSD = 1.026, p = 0.042)\). The gender of respondents did not have a significant impact on whether respondents were likely to believe that bank branches were important \((t(452) = 0.058, p = 0.954)\).
8.2.3.4 Hypothesis 6 – Consumers do not use bank branch facilities as often as they use electronic facilities

The data used to test this hypothesis were collected from responses to a question (Question 3, Appendix A2) where respondents were asked to indicate how often they used five specific, commonly available bank facilities: ATMs, bank branches, EFTPOS, Internet banking and telephone banking. The data collected were nominal in nature, because the respondents were given eight options: “I don’t have access to this service”, “NEVER”, “Not in the last month”, “ONCE in the last month”, “2-3 times in the last month”, “4-5 times in the last month”, “6-9 times in the last month” and “10+ times in the last month”. Because the data were nominal in nature, it was most suitable to use non-parametric tests to test the hypothesis (Coakes & Steed 2003; Malhotra et al. 1996; Zikmund 2003).

Initial inspection of the data collected from this series of questions showed that a considerable number of respondents had omitted answering for all five facilities. It was common in this group of questions that a number of the facilities listed were left blank. In most of these cases some of the questions had been answered, mostly stating that the respondent had used the facility some time in the last month. It was apparent that some respondents were omitting responding to some facilities in the understanding that, if they did not use that facility, they should not tick an answer for that facility. There were three options in the survey for respondents to select from if they had not used the particular facility in the past month: “not in the last month”, “I don’t have access to this facility” and “never”. Non-responses to a particular facility question made the respondents’ actual behaviour unclear. Therefore, fields where there was no response given were coded as “no” – meaning the consumer has not used the facility in the previous month. Furthermore the option to collapse the four categories (“not in the last month”, “I don’t have access to this facility”, “never” and “no”) into one category which denotes no usage in the previous month was possible. Collapsing these categories enabled an analysis of the actual usage of each of the facilities of bank in the preceding month to be undertaken.

Figure 19 graphically shows the responses to each of the five bank facilities. The majority (63.5%) of respondents had visited a bank branch at least once in the previous month. This compares to Internet (31.2%) and telephone (32.6%) which
a minority of respondents had used at least once in the previous month. Conversely a greater majority of respondents had used an ATM (72.4%) and EFTPOS (75.4%) at least once in the previous month.

Figure 19 Number of times Bank facilities were used in the preceding month

To test the significance of the difference in frequency of usage between the various electronic facilities and bank branch facilities, non-parametric testing in the form of a chi-square for goodness of fit (Zikmund 2003) was undertaken. The purpose of using this test was to determine whether the difference between the observed frequency distribution for each of the four tested electronic facilities and the expected frequency distribution (based on the bank branch usage frequency distribution) could be attributed to sampling variation (Zikmund 2003). The data analysis technique was suitable because the data were randomly sampled, all observations were independent (all responses were generated by a different subject) and size of frequencies was sufficient (the lowest expected frequency was equal or greater than five) (Coakes & Steed 2003).

For this hypothesis test, the null hypothesis ($H_0$) was that consumers use bank branch facilities equally as often as they use electronic facilities. The expected frequencies ($E_i$) were based on the proportions achieved from the frequency distribution for bank branch usage: 0 times: 171; 1 time: 140; 2-3 times: 92; 4-5
times: 49; 6-9 times: 8; and 10 or more times: 8. The observed frequencies \((O_i)\) were the frequencies that were obtained for the four electronic facilities.

The results of the chi-square tests for goodness of fit for each of the four electronic facilities showed a highly statistically significant difference in usage rates when compared to the bank branch usage rates.

- ATM: \(\chi^2(5, N = 468) = 393.220, p < 0.001\)
- EFTPOS: \(\chi^2(5, N = 468) = 3074.919, p < 0.001\)
- Internet Banking: \(\chi^2(5, N = 468) = 373.684, p < 0.001\)
- Telephone Banking: \(\chi^2(5, N = 468) = 201.044, p < 0.001\)

Due to the nominal nature of the data it was statistically impossible to test the significant difference between the regularity of use of electronic facilities and the use of bank branches. However, the visual representation in Figure 19 shows that bank branches are more likely to have been used by respondents in the previous month than Internet and telephone banking, but less likely than ATMs and EFTPOS. When the results were analysed excluding the respondents who did not use bank branches in the previous month, the modes for each of the five facilities were:

- Bank Branch: 1 time (47.1%)
- ATM: 2-3 times (36.9%)
- EFTPOS: 10 or more times (42.8%)
- Internet Banking: 2-3 times (25.3%)
- Telephone Banking: 2-3 times (40.1%)

These modes showed that for the respondents who had used the various facilities in the previous months, electronic facilities were more likely to have been used more regularly. Also when the usage rates for all four electronic facilities were totalled, the usage rate for the various electronic facilities in the previous month considerably exceeded the usage rates for bank branches. The research hypothesis that consumers do not use bank branch facilities as often as they use electronic facilities, though not statistically significant, was generally supported, and the null hypothesis was rejected.
8.2.3.5 Other Findings – Bank Branch Usage

The bank branch usage results presented in section 8.2.3.4 were cross-tabulated with various respondent variables to derive who were the greatest users of bank branch services. Location was found to have a significant ($\chi^2(3, N = 468) = 8.894, p = 0.031$) relationship to how regularly respondents visited a bank branch. Figure 20 shows that respondents from regional Victoria were more likely to visit a branch of their main bank more regularly than respondents from greater Melbourne.

![Figure 20: Bank Branch Usage by Respondent Location](chart)

To analyse if there was a relationship between consumers’ main bank and their bank branch usage, two main tests were undertaken: the first contrasted Bendigo Bank customers with all other bank customers, and the second contrasted banks based on the four categories set in Section 7.8.5. When contrasting consumers whose main bank was Bendigo Bank with other customers, there is no significant difference in how regularly they visit their bank branches ($\chi^2(3, N = 468) = 0.796, p = 0.851$). However when the consumers were broken into the four bank categories (see Table 25), a significant difference in consumers regularity of bank branch usage was evident ($\chi^2(6, N = 468) = 24.823, p < 0.001$).
From the results presented in Table 25, it is evident that respondents whose main bank was either one of the smaller banks or a credit union use bank branches less regularly than consumers whose main bank was one of the major banks or Bendigo Bank.

Local proximity to consumers’ nearest bank branch had a significant relationship to how regularly consumers visited a bank branch ($\chi^2(6, N = 468) = 19.058, p = 0.004$). Table 26 shows that the majority (60.0%) of respondents whose nearest branch was more than two suburbs or towns away had not visited a bank branch in the preceding month. This was nearly double that of the number of respondents whose nearest branch was in the suburb or town where they lived (33.4%) or respondents whose nearest branch was in the next suburb or town (32.1%).

Age and gender were found to have no significant relationship to how regularly consumers visit a bank branch (Age: $\chi^2(9, N = 462) = 5.294, p = 0.808$; Gender: $\chi^2(3, N = 466) = 2.169, p = 0.538$).

To gain more insight into consumers’ banking behaviour, six common scenarios were presented to survey respondents (in question 6) to discern whether they would be more likely to use electronic or bank branches. The six statements were:

### Table 25 Bank Branch Usage by Respondents’ Main Bank Type

<table>
<thead>
<tr>
<th>Bank</th>
<th>0 times</th>
<th>1-3 times</th>
<th>4+ times</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Banks</td>
<td>32.2%</td>
<td>53.4%</td>
<td>14.4%</td>
</tr>
<tr>
<td>Bendigo Bank</td>
<td>38.5%</td>
<td>46.2%</td>
<td>15.4%</td>
</tr>
<tr>
<td>Other Smaller Banks</td>
<td>68.8%</td>
<td>25.0%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Credit Unions</td>
<td>65.8%</td>
<td>23.7%</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

$N = 468$

### Table 26 Bank Branch Usage by Local Proximity to Nearest Branch

<table>
<thead>
<tr>
<th>Metric Proximity to Nearest Branch</th>
<th>0 times</th>
<th>1-3 times</th>
<th>4-9 times</th>
<th>10+ times</th>
</tr>
</thead>
<tbody>
<tr>
<td>Same suburb/town</td>
<td>33.4%</td>
<td>50.7%</td>
<td>14.2%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Next suburb/town</td>
<td>32.1%</td>
<td>55.4%</td>
<td>9.8%</td>
<td>2.7%</td>
</tr>
<tr>
<td>More than two suburbs/towns away or no branches</td>
<td>60.0%</td>
<td>33.3%</td>
<td>6.7%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

$N = 468$
1. I make account transactions (e.g. Deposits and Withdrawals) inside the bank branch.

2. I use the telephone to make banking enquiries.

3. I pay bills in the bank branch.

4. I visit the bank branch if I have a bank enquiry.

5. I use ATMs (Automatic Teller Machines) to make deposits into my account.

6. I visit the bank branch if I have a problem with my bank account.

Respondents answered each of these questions with one of five possible options: “Always”, “Often”, “Sometimes”, “Rarely” and “Never”. The options provided were not precise measures, however they provided a rudimentary indication of respondents’ behaviour. The data collected were nominal, so descriptive statistics (percentages and modes) were used in analysis (Malhotra et al. 1996).

The results showed that 21.9 percent of respondents often or always used the telephone to make banking enquiries, but 17.6 percent often or always visited the bank branch to make general banking enquiries. Respondents were more likely to visit the bank branch if they had a problem with their bank account (26.2% reported always or often) as opposed to those who would visit their bank branch to make general enquiries (17.6%).

As 90.2 percent of respondents never or rarely visit a bank branch to pay bills, this means that most bill payments were likely occur either via electronic banking or by mail. 49.7 percent of respondents rarely or never make account transactions in a bank branch. However, it is most probable that most cash and cheque deposits are made inside the bank branch, because 77.4 percent of respondents never use ATMs to make a deposit into their bank accounts.

In the next section of the results chapter, hypotheses related to banks and trust are presented.
Section 8B

Banks and Trust

8.2.4 Banks and Trust – Relationship Power Asymmetries
This section presents the results of the hypothesis tests relating to the power relationships between consumers and their banks. Results relating to whether respondents believe that there is an asymmetry between their perception of their banks’ valuation of them as customers and how they value their relationship with their bank. Furthermore it examines whether this has a relationship to their level of trust in their bank. The relevant concepts and hypothesised relationships are shown in Figure 21.
The key constructs analysed in this section were the RelBVC (Relationship – Bank values Customer), RelCVB (Relationship – Customer values Bank) and TrB (Trust – Bank). All three constructs demonstrated acceptable reliability (RelBVC: $\alpha = 0.813$, RelCVB: $\alpha = 0.774$, TrB: $\alpha = 0.798$) and validity (see Chapter 7).

8.2.4.1 Hypothesis 7 – Consumers value their relationship with their bank

The key construct used to test this hypothesis was RelCVB. To test this hypothesis a one-sample $t$-test was undertaken on the construct to discover if respondents were more likely to value their relationship with their bank, and whether this likelihood was significant. The mean of this scale was 10.11 ($SD = 2.68$) where a mean between 9.1 and 15 implied a level of agreement. 60.7 percent of respondents showed a degree of agreement that they valued their relationship with their bank.

The null hypothesis ($H_0$) for this hypothesis was: consumers neither do nor don’t value their relationship with their bank. The construct was composed of three items with a maximum scale score of 15 and a minimum scale score of 3. For the null hypothesis to be retained a mean score of 9 was needed to be obtained ($H_0: \mu = 9$). For hypothesis 7 to be accepted a mean that was significantly greater than 9 was needed to be yielded ($H_7: \mu > 9$). The results from the $t$-test for RelCVB are shown in Table 27.

<table>
<thead>
<tr>
<th>RelCVB</th>
<th>$t$</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8.799</td>
<td>452</td>
<td>.000</td>
<td>1.106</td>
<td>.86</td>
</tr>
</tbody>
</table>
| Test Value = 9

The two-tailed significance was less than 0.001, which was less than .05, and showed that the difference between the means was significant. The test showed that $t(452) = 8.799$, $p > 0.001$. The research hypothesis that consumers value their relationship with their bank was upheld, and the null hypothesis was rejected.

Further $t$-tests and ANOVAs were used to test the RelCVB construct against various respondent variables. The means and standard deviations for the RelCVB
construct for age categories are shown in Table 28. Age of respondent was a significant indicator of how much respondents valued their relationship with their bank \( (F(3, 443) = 8.311, p < 0.001) \). Respondents 18 to 34 years old were less likely to value their relationship with their bank than respondents aged between 50 and 64 \( (HSD = 1.019, p = 0.036) \) and 65 and over \( (HSD = 1.737, p < 0.001) \). Also respondents aged between 35 and 49 were less likely to value their relationship with their banks than respondents who were aged 65 and over \( (HSD = 1.507, p < 0.001) \).

<table>
<thead>
<tr>
<th>Age</th>
<th>N</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-34</td>
<td>70</td>
<td>9.36</td>
<td>2.687</td>
</tr>
<tr>
<td>35-49</td>
<td>138</td>
<td>9.59</td>
<td>2.736</td>
</tr>
<tr>
<td>50-64</td>
<td>154</td>
<td>10.38</td>
<td>2.544</td>
</tr>
<tr>
<td>65 and over</td>
<td>85</td>
<td>11.09</td>
<td>2.486</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>447</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Regional Victorian respondents \( (M = 10.59, SD = 2.61) \) were significantly more likely to value their relationship with their bank than greater Melbourne respondents \( (M = 9.86, SD = 2.68) \) \( (t(451) = -2.781, p = 0.006) \). Also, consumers who bank with the major banks \( (M = 9.95, SD = 2.63) \) were significantly less likely to value their relationship with their bank than consumers who bank with smaller banks (including Bendigo Bank customers) or credit unions \( (M = 10.84, SD = 2.76) \) \( (t(451) = -2.686, p = 0.008) \). However, Bendigo Bank customers (including Community Bank customers) were likely to value their relationship with their bank similarly to those consumers who bank with all other financial institutions \( (t(451) = -1.379, p = 0.169) \).

Gender and local proximity to the nearest bank branch did not have a significant influence on how much respondents valued their relationship with their bank \( (t(449) = 1.611, p = 0.108 \) and \( F(2, 450) = 0.082, p = 0.921 \) respectively).
8.2.4.2 Hypothesis 8 – Consumers do not believe that banks value their relationship with them as customers

The key construct used to test this hypothesis was RelBVC. To test this hypothesis a one-sample \( t \)-test was undertaken on the construct to discover if respondents were more likely to believe that their bank values them as a customer, and whether this likelihood was significant. The mean of this scale was 11.59 (SD = 3.50) where a mean between 4 and 11.9 implied a level of disagreement. 55.3 percent of respondents showed a degree of disagreement that banks value their relationship with them as customers.

The null hypothesis (\( H_0 \)) for this hypothesis was: consumers neither believe nor disbelieve that banks value their relationship with them as a customer. The construct was composed of four items with a maximum scale score of 20 and a minimum scale score of 4. For the null hypothesis to be retained a mean score of 12 was needed (\( H_0: \mu = 12 \)). For hypothesis 8 to be accepted a mean that was significantly less than 12 was needed to be yielded (\( H_8: \mu < 12 \)). The results from the \( t \)-test for RelBVC are shown in Table 29.

Table 29 One-Sample \( t \)-Test – RelBVC

<table>
<thead>
<tr>
<th></th>
<th>( t )</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>RelBVC</td>
<td>-2.471</td>
<td>453</td>
<td>.014</td>
<td>-.405</td>
<td>-.73 to -.08</td>
</tr>
</tbody>
</table>

Test Value = 12

The two-tailed significance was 0.014, which was less than .05, and showed that the difference between the means was significant. The test showed that \( t(453) = -2.471, p = 0.014 \). The research hypothesis that consumers do not believe that banks value their relationship with them as customers was upheld, and the null hypothesis was rejected.

The RelBVC construct was subjected to ANOVA and \( t \)-tests against various respondent variables. The means for all age categories increased as age categories increased (See Table 30). Age was found to be a significant influence on whether respondents believed that their bank valued them as a customer (\( F(3, 444) = 7.997, p < 0.001 \)). Respondents aged 65 and over were significantly more likely to
believe that their bank valued them as a customer than people at all other age categories (18-34: $HSD = 2.461, p < 0.001$; 35-49: $HSD = 1.916, p < 0.001$; 50-64: $HSD = 1.348, p = 0.019$).

Table 30  Age and respondents’ beliefs of how their bank values them as a customer

<table>
<thead>
<tr>
<th>Age</th>
<th>N</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-34</td>
<td>70</td>
<td>10.59</td>
<td>3.062</td>
</tr>
<tr>
<td>35-49</td>
<td>137</td>
<td>11.13</td>
<td>3.558</td>
</tr>
<tr>
<td>50-64</td>
<td>156</td>
<td>11.70</td>
<td>3.544</td>
</tr>
<tr>
<td>65 and over</td>
<td>85</td>
<td>13.05</td>
<td>3.266</td>
</tr>
</tbody>
</table>

$N = 448$

Respondents who had accounts at a major bank ($M = 11.32, SD = 3.39$) were significantly less likely to believe that they were valued by their bank, than smaller bank and credit union customers ($M = 12.89, SD = 3.71$) ($t(452) = -3.696, p < 0.001$). Respondents whose main account was at Bendigo Bank (including Community Bank customers) ($M = 12.92, SD = 3.36$) were more likely to believe that they were valued by their bank than all other types of bank customers ($M = 11.51, SD = 3.49$) ($t(452) = -2.003, p = 0.046$). Also, respondents who live in the regional Victoria were significantly more likely to believe that they were valued by their bank than respondents from greater Melbourne ($t(452) = -2.893, p = 0.004$).

Again, similar to the RelCVCB construct, gender and local proximity to the nearest bank branch were not significant influences on whether respondents believed that they were valued by their bank ($t(450) = 0.152, p = 0.879$ and $F(2, 451) = 1.085, p = 0.339$ respectively).

8.2.4.3 Hypothesis 9 – Consumers believe that their bank does not value them, as much as they value their bank.

The two key constructs used to test this hypothesis were RelBVC and RelCVCB. Both of the constructs showed acceptable reliability and validity when tested in Chapter 7. To test this hypothesis a paired-samples $t$-test was undertaken with both of the constructs to see if there was any significant relationship between whether consumers believe that banks value them as a customer and whether they
value their relationship with their bank. The null hypothesis (H₀) for this hypothesis was that consumers value their bank equally as much as they believe their bank values them as a customer (H₀: μ_relCVB = μ_relBVC). For Hypothesis 9 to be accepted a RelCVB mean that was significantly greater than the RelBVC mean was needed (H₀: μ_relCVB > μ_relBVC). The constructs were composed of an unequal number of items, so the responses to underlying items of both constructs were added and then divided by the number of items. This made the results of both constructs justly comparable. RelBVC (M = 2.90, SD = 0.87) had a lower mean than RelCVB (M = 3.37, SD = 0.90). The results of the paired-samples t-test for Hypothesis 9 are shown in Table 31.

### Table 31  Paired-Samples t-Test – RelBVC-RelCVB

<table>
<thead>
<tr>
<th>Paired Differences</th>
<th>M</th>
<th>SD</th>
<th>Std. Error Mean</th>
<th>95% Confidence Interval of the Difference</th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RelBVC – RelCVB</td>
<td>-.466</td>
<td>.654</td>
<td>.030</td>
<td>-.526 – -.406</td>
<td>-15.376</td>
<td>465</td>
<td>.000</td>
</tr>
</tbody>
</table>

The results showed that respondents were significantly (t(465) = -15.376, p < 0.001) more likely to believe that they value their bank more than their bank values them. The research hypothesis that consumers believe that their relationship with their bank is not valued by the bank as much as by them was upheld, and the null hypothesis was rejected.

### 8.2.4.4 Other Findings – Perceived level of Value to Banks and Overall Bank Trust

In summary, the results showed that there was a disparity between how much consumers valued their relationship with their bank and how much they believe the bank values them as a customer. This was particularly pronounced with younger consumers, consumers from greater Melbourne and respondents who bank with the major banks.

Testing of Hypothesis 9 showed that consumers believe that their bank does not value them, as much as they value their bank. Also testing has found that consumers were more likely to trust their bank. Taking into account these two
statements, the RelBVC scale and the TrB scale were subjected to correlation testing using Pearson product-moment correlation.

The results of the bivariate Pearson product-moment correlation showed that there was a significant positive relationship between RelBVC and TrB \((r = 0.668, p < 0.001)\). Thus, consumers’ beliefs that they were or were not valued by their bank were significantly associated with overall consumer trust in their bank.

**8.2.5 Banks and Trust – Physical Presence**

This section presents the results relating to the relationship between consumer trust and the physical presence of banks. The key focus of this section was to examine the how the bank branch is used by the consumer (in terms of behaviour), and whether this has any relationship to the consumers trust (or lack thereof) in their main bank. When examining the role of the bank branch in fostering trust, other factors including the role of bank staff and management in engendering trust were also studied. Bank management and staff were hypothesised to be attributes of institutional stature in chapter 4. The relevant concepts and hypothesised relationships are shown in Figure 22.
The key constructs analysed in this section were TrB (Trust – Banks), BBIfCu (Bank Branches – Important for Customer) and TrBSM (Trust – Bank Staff / Management). Tests in Chapter 7 yielded results that demonstrated that all three constructs have acceptable reliability (TrB: $\alpha = 0.798$; BBIfCu: $\alpha = 0.693$; TrBSM: $\alpha = 0.786$).
8.2.5.1 Hypothesis 10 – Consumers are less likely to identify with their bank branch than with the banking entity as a whole

The key question related to this hypothesis involved respondents identifying the component of their bank that they most closely identified with when they thought of their main bank. Respondents were given four main options (bank branch; bank’s staff or manager; bank’s logo; bank’s website) for them to select from when presented with the following statement “When I think of my MAIN bank I see…”. The first two options were directly linked to a respondent identifying their bank branch (and other tangible elements) as their bank. While the latter two options were linked to more intangible features of a bank, the website and the logo, both elements reflected a more centralised identification with the bank as an intangible entity. Many of these issues were discussed in Chapter 5 where the micro nodal approach to marketing of banks was proposed.

Results in the form of frequencies for each category are presented in Figure 23. When respondents thought of their bank most of them saw the bank’s logo (41.5%). This was followed by respondents who saw a bank branch as representative of their bank (30.8% of respondents). The other two options provided, bank manager or staff and bank’s website, were much less identified with their bank (9.0% and 6.3% respectively).

![Figure 23 Components of Bank](image)

* Comprised responses which could not be categorised as tangible or intangible.

\[ N = 458 \]
Respondents were open to give a response of their own, if none of the four options presented best represented their views. This option was used by 12.4 percent of respondents and the responses were tabulated and tallied. This provided some alternative responses to what people saw when they thought of their bank – for example: “Customers in queues at the branch” (7 respondents), “Nothing” (5 respondents) and other notable responses were “greed”, “I see red” and “poor service”. However, these were not of noteworthy frequency to warrant grouping them into separate categories. To provide a more meaningful analysis of the responses given, all responses which referred to a noun (as was the intended to be the question) were categorised as either “Other: Tangible” or “Other: Intangible”. All other responses were categorised as “Not Categorised” (3.7% of total responses). Responses that referred to physical customer access point, like “customer queues”, were categorised as “Tangible”, whereas responses that were not related to physical customer access points, like the banks’ “slogans”, “colours”, or the banks’ “debit cards” were categorised as “Intangible”. The purpose of these categories was to break all responses to question 17 into two main groups: those related to bank branches and those that were related to the banking entity as a whole. Therefore:

- **Bank’s Logo, Bank’s Website and Other: Intangible** were grouped together as “Intangible”.
- **Bank Branch, Bank’s Staff or Manager and Other: Tangible** were grouped together as “Tangible”.

When grouped together (excluding the “not categorised” responses) the majority (56.0%) of respondents listed intangible cues which directly relate to the banking entity rather than tangible more localised cues as the part of the bank they see when they think of their bank. 44.0 percent of respondents saw tangible more localised cues when they thought of their bank.

A chi-square test for the goodness of fit was undertaken of the grouped-data for this question. The null hypothesis (H₀) for this test was: consumers do not identify with their bank branch any more or less than the banking entity as a whole. This chi-square test yielded a result that showed there was a significant difference in frequencies between identification to tangible and non-tangible attributes ($\chi^2(1, N = 441) = 6.370, p < 0.012$). Consumers were significantly more likely to identify
with the intangible attributes of a bank. The research hypothesis that consumers are less likely to identify with their bank branch than with the banking entity as a whole was upheld, and the null hypothesis was rejected.

The responses to this question were further tested against various respondent variables to determine if there were any significant relationships between the various respondent variables and the component of the bank with which they most identified. The responses to this question were cross tabulated with various respondent variables and subjected to chi-square tests for independence to test their relatedness or independence (Coakes & Steed 2003).

Respondents’ identification with tangible or intangible attributes of their bank were plotted in a bar chart using age as the grouping variable (see Figure 24) with a complementary chi square test also undertaken.

![Figure 24 Attribute Identification of Banks by Age of Respondent](image)

The results of the chi-square test confirmed that age was a highly significant indicator of whether consumers identify with the tangible or intangible attributes of a bank ($\chi^2(3, N = 437) = 21.334, p < 0.001$). The minimum cell frequency in the chi-square test was 29.30 (which was greater than 5), and therefore one of the main assumptions of a chi-square had not been violated (Coakes & Steed 2003).

Upon examination of the cell frequencies and the visual representation in Figure 24, it could be concluded that older respondents were more likely to identify with the tangible attributes of a bank, whilst younger respondents were more likely to
identify with intangible attributes of a bank. A Kruskal-Wallis $H$-test confirmed that consumers' likelihood to identify with the tangible attributes of their bank significantly increased as age increased ($H(3) = 21.285, p < 0.001$). The mean ranks for the Kruskal-Wallis $H$-test are presented in Table 32. The Kruskal-Wallis $H$-test is the non-parametric alternative to a one-way between-groups analysis of variance (ANOVA) (Pagano 1994; Pallant 2001). This test was more suitable for the data that were being analysed than the parametric alternatives because both independent and dependent variables were nominal in nature.

Table 32  Kruskal-Wallis $H$ Test Ranks for Age groups likelihood of identifying with Tangible Attributes of Banks

<table>
<thead>
<tr>
<th>Age</th>
<th>N</th>
<th>M Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-34</td>
<td>66</td>
<td>174.97</td>
</tr>
<tr>
<td>35-49</td>
<td>132</td>
<td>208.08</td>
</tr>
<tr>
<td>50-64</td>
<td>155</td>
<td>229.14</td>
</tr>
<tr>
<td>65 and over</td>
<td>84</td>
<td>252.06</td>
</tr>
</tbody>
</table>

$N = 437$

The rankings showed that the likelihood to identify with tangible elements of banks increased with respondents’ age, with respondents aged 65 and over most likely to identify with tangible elements of their bank and respondents aged between 18 and 34 most likely to identify with intangible elements of their bank.

57.0 percent of regional Victorian respondents identified with tangible attributes as opposed to 37.2 percent of greater Melbourne respondents. Regional Victorian respondents were significantly more likely to identify with the tangible attributes of their bank than greater Melbourne respondents ($\chi^2 (1, N = 441) = 15.660, p < 0.001$).

Considering the strong significance shown for both the age and location of respondents as variables relating to respondents' likelihood of identifying with tangible or intangible attributes of a bank, a chi-square was used to test if there was a relationship between the age of the respondents and their location. The chi-square test of the relatedness or independence of the age and location variables showed that there was no significant relationship between age and location ($\chi^2 (3,$
This means that there was not significantly younger or older respondents in regional Victoria compared to greater Melbourne.

Both nearest branch proximity variables showed no significant relationship to whether consumers were more or less likely to identify with the tangible or intangible elements of their bank (metric proximity: \( \chi^2 (2, N=441) = 3.528, p = 0.171 \), local proximity: \( \chi^2 (1, N = 441) = 5.728, p = 0.057 \)). Gender of consumers also has no relationship with their likelihood to identify in tangible or intangible attributes of a bank (\( \chi^2 (1, N = 439) = 0.046, p = 0.830 \)). In addition, the main bank type (excluding respondents whose main bank was Bendigo Bank) showed no significant relationship to whether consumers were more or less likely to identify with the tangible or intangible elements of their bank (\( \chi^2 (2, N = 416) = 1.573, p = 0.456 \)).

8.2.5.2 Hypothesis 11 – Community Bank customers are more likely to identify with the tangible attributes of their bank than non-Community Bank customers

The key data used in the testing of this hypothesis were the same as with Hypothesis 10 (see section 8.2.5.1). The data were primary drawn from question 17 which asked respondents to show which attribute of their bank they see when they think of their bank, and was cross tabulated with the “main bank” variable. In summary, these responses were grouped under three categories: tangible attributes, intangible attributes and non-categorised. The non-categorised answers (that were neither tangible nor intangible, see section 8.2.5.1) were omitted from statistical analysis.

Respondents who identified Bendigo bank as their main bank made up 5.6 percent of total responses (\( N = 25 \)). Of these respondents, most respondents (68%) identified tangible attributes as what they saw when they thought of the bank. In comparison, non-Bendigo Bank customers (\( N = 416 \)) were more likely to identify with intangible attributes of their bank (57.5%) (See Table 33).
Table 33  Cross tabulation: Main Bank Type and Attribute Identification of Main Bank

<table>
<thead>
<tr>
<th>Bank</th>
<th>Intangible Attributes</th>
<th>Tangible Attributes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>%</td>
</tr>
<tr>
<td>Bendigo Bank</td>
<td>8</td>
<td>32.0%</td>
</tr>
<tr>
<td>All other Banks</td>
<td>289</td>
<td>57.5%</td>
</tr>
</tbody>
</table>

N = 441

A chi-square test of relatedness or independence was undertaken on the grouped-data for this question with the tangible/intangible attributes as the dependent variable and the bank type (Bendigo Bank and All other Banks) analysed as the independent variable. The null hypothesis (H₀) for this test was: Community Bank customers are no more or less likely to identify with the tangible of their bank than non-Community Bank customers.

The chi-square test yielded a result which statistically confirmed this difference. Bendigo Bank customers were significantly more likely to identify with tangible attributes of the bank ($\chi^2 (1, N = 441) = 6.200, p = 0.013$) than non-Bendigo Bank customers. It should be noted that not all Bendigo Bank branches are classified as Community Banks, therefore not all Bendigo Banks account holders can authoritatively be classed as Community Bank customers. However, the Community Bank scheme is unique to the Bendigo Bank, and all respondents who identified Bendigo Bank as their main bank also indicated that they had an account at a Community Bank in question 19 of the questionnaire.

The research hypothesis that Community Bank customers are more likely to identify with the tangible of their bank than non-Community Bank customers was upheld, and the null hypothesis was rejected.

8.2.5.3 Hypothesis 12 – Consumers trust the physical branches of banks more than the Internet presence

Two key questions solicited responses that were related this hypothesis. One of the questions asked respondents to rate the extent to which they agreed with the statement “I trust Internet banking transactions over bank branch transactions” and the other “The bank branch is normally more trustworthy than the Internet bank”. Responses to these two questions were used in combination to produce a
Trust – Bank Branches over Internet Banks scale (TrBBI). Measurement of the reliability of the TrBBI scale was achieved through employing Cronbach’s coefficient alpha (see Table 34).

**Table 34  Measurement Scale – TrBBI**

<table>
<thead>
<tr>
<th>Item</th>
<th>Measure</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>TrBBI1</td>
<td>I trust Internet banking transactions over bank branch transactions.*</td>
<td>0.546</td>
</tr>
<tr>
<td>TrBBI2</td>
<td>The bank branch is normally more trustworthy than the Internet bank.</td>
<td></td>
</tr>
</tbody>
</table>

* Scale reversed when calculating Cronbach’s Alpha

The Cronbach’s alpha for the TrBBI scale ($\alpha = 0.546$) was below 0.65, which means the scale did not demonstrate acceptable reliability (DeVellis 1991). However, because there were less than 10 items in the scale, Cronbach’s alpha values can be quite small (Pallant 2001). In this situation, it is wise to review the mean inter-item correlation ($M_r$) for all the items (Briggs & Cheek 1986; Pallant 2001). The calculated $M_r$ for TrBBI was 0.376, which was inside the optimal mean inter-item correlation values range from 0.2 to 0.4 (Briggs & Cheek 1986). “The .2 to .4 range of intercorrelations would seem to offer an acceptable balance between bandwidth on the one hand and fidelity on the other” (Briggs & Cheek 1986: 115). Upon balance of the reliability test analyses, the TrBBI scale was accepted, although it should be kept in mind that, although the scale has demonstrated acceptable homogeneity, the internal consistency of the items was relatively weak.

The mean of the TrBBI scale was 7.06 ($SD = 1.52238$), where a mean between 6.1 and 10 implied a degree of agreement. 62.7 percent of respondents showed a degree of agreement that physical branches of the bank were more trustworthy than the Internet presence.

To test the hypothesis a one-sample $t$-test was undertaken on the scale. The null hypothesis ($H_0$) for this test was: consumers trust the physical branches of banks equally to the Internet presence ($H_0$: $\mu = 6$). For hypothesis 12 to be accepted a mean that was significantly greater than 6 was needed ($H_{12}$: $\mu > 6$). The results from the $t$-test for TrBBI are shown in Table 35.
The two-tailed significance was .000, which was less than .05, and showed that the difference between the means was highly significant. The test showed that \( t(457) = 99.293, p < 0.001 \). The research hypothesis that consumers trust the physical branches of banks more than the Internet presence was upheld, and the null hypothesis was rejected.

### 8.2.5.4 Hypothesis 13 – Consumers trust their bank branch’s management and staff

The key construct used to test this hypothesis was TrBSM. To test this hypothesis a one-sample \( t \)-test was undertaken on the construct to discover if respondents were more likely to trust their bank branch’s management and staff, and whether this likelihood was significant. Respondents who said that their main bank had no branches were excluded from the analysis (\( N = 10, 2.1\% \)).

The mean of this scale was 14.10 (\( SD = 2.41 \)) where a mean between 12.1 and 20 implied a level of agreement. 74.5 percent of respondents agreed to some degree that they trust their bank’s management and staff.

To test the hypothesis a one-sample \( t \)-test was undertaken on the construct. The null hypothesis (\( H_0 \)) for this test was: consumers neither trust nor distrust their bank branch’s management and staff (\( H_0: \mu = 12 \)). For hypothesis 13 to be accepted a mean that was significantly greater than 12 was needed to be yielded (\( H_{13}: \mu > 12 \)). The results from the \( t \)-test for TrBSM are shown in Table 36.

#### Table 35 One-Sample \( t \)-Test – TrBBI

<table>
<thead>
<tr>
<th></th>
<th>( t )</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>TrBBI</td>
<td>99.293</td>
<td>457</td>
<td>.000</td>
<td>7.06332</td>
<td>6.9235 – 7.2031</td>
</tr>
</tbody>
</table>

Test Value = 6

#### Table 36 One-Sample \( t \)-Test – TrBSM

<table>
<thead>
<tr>
<th></th>
<th>( t )</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>TrBSM</td>
<td>18.168</td>
<td>434</td>
<td>.000</td>
<td>2.09655</td>
<td>1.8697 – 2.3234</td>
</tr>
</tbody>
</table>

Test Value = 12
The two-tailed significance was .000, which was less than .05, and showed that the difference between the means was highly significant. The test showed that $t(434) = 18.168, p < 0.001$. The research hypothesis that consumers trust their bank branch’s management and staff was upheld, and the null hypothesis was rejected.

Interestingly, although consumers were significantly more likely than not to trust their bank’s management and staff, 86.2 percent of respondents agreed that they rarely meet their bank manager.

Further $t$-tests and ANOVAs were used to test the TrBSM construct against various respondent variables. Age of consumers was found to be a significant factor ($F(3, 427) = 9.143, p < 0.001$) in the level of trust consumers have in their bank’s management and staff. Table 37 shows the mean levels of trust in bank staff and managers increases with the ages of the respondents.

<table>
<thead>
<tr>
<th>Age</th>
<th>$N$</th>
<th>$M$</th>
<th>$SD$</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-34</td>
<td>68</td>
<td>13.32</td>
<td>2.222</td>
</tr>
<tr>
<td>35-49</td>
<td>130</td>
<td>13.64</td>
<td>2.430</td>
</tr>
<tr>
<td>50-64</td>
<td>148</td>
<td>14.38</td>
<td>2.281</td>
</tr>
<tr>
<td>65 and over</td>
<td>85</td>
<td>15.01</td>
<td>2.413</td>
</tr>
</tbody>
</table>

$N = 431$

Respondents who were aged between 50 and 64 were significantly more likely to trust their bank’s staff and management than respondents aged between 18 and 34 ($HSD = 1.055, p = 0.012$) and 35-49 ($HSD = 0.740, p = 0.044$). Also respondents who were aged 65 and over were significantly more likely to trust their bank’s staff and management than respondents aged between 18 and 34 ($HSD = 1.688, p < 0.001$) and 35 and 49 ($HSD = 1.373, p < 0.001$). These results provide strong support for the contention that older consumers are more likely to trust their bank’s staff and management.
Respondents from regional Victoria had a greater level of trust ($M = 14.59$, $SD = 2.667$) in their bank’s management and staff than respondents from greater Melbourne ($M = 13.83$, $SD = 2.217$). The difference between these means was significant ($t(443) = 3.146$, $p = 0.002$), showing that consumers from regional Victoria were significantly more likely to trust their bank’s management and staff.

To verify whether this difference in trust levels by location is based on locational influence rather than relative proximity to nearest bank branch a chi-square analysis was undertaken on the branch proximity variables using location as the independent variable. Figure 25 shows the distributions for the two nearest branch proximity values using location as the independent variable.

![Graph 1: Local Proximity to Nearest Bank Branch](image)

- Greater Melbourne: 0% Same suburb/town, 20% Next suburb/town, 60% More than two suburbs/towns away or no branches
- Regional Victoria: 0% Same suburb/town, 20% Next suburb/town, 80% More than two suburbs/towns away or no branches

![Graph 2: Metric Proximity to Nearest Bank Branch](image)

- Greater Melbourne: 0% Under 5 km, 60% 5-10 km, 40% Over 10 km or no branches
- Regional Victoria: 0% Under 5 km, 20% 5-10 km, 80% Over 10 km or no branches

**Figure 25  Location and Proximity to Nearest Bank Branch**

$N = 468$ (Greater Melbourne: $N = 308$, Regional Victoria: $N = 160$)

The first graph shows local proximity to nearest branch. The second graph shows metric proximity.

Initial inspection of the local proximity graph (see Graph 1, Figure 25) showed little difference in nearest bank branch proximity of consumers’ main bank based on their location. Chi-square analysis supported this, with the difference in local proximity of consumers’ main bank based on their location as not significant ($\chi^2(2, N = 468) = 1.164$, $p = 0.559$). However, consumers from Regional Victoria were significantly more likely to be further away (metric proximity) from their nearest bank branch of their main bank ($\chi^2(2, N = 468) = 26.111$, $p < 0.001$) (see Graph 2, Figure 25). Therefore, it was fair to deduce that, although regional
Victorian consumers were similarly likely to have a bank branch of their main bank in their town or suburb to greater Melbourne consumers, they were more likely to have to travel further to get to their nearest branch.

The relevance of this for the levels of trust in consumers’ bank managers and staff was that regional Victorian consumers’ greater likelihood in trusting their bank’s staff and management was not because they were more likely to have a bank branch near to their home. There was no significant difference in respondents’ likelihood to trust bank staff and management based on local proximity \( (F(2, 432) = 1.157, p = 0.315) \) and metric proximity \( (F(2, 432) = 1.016, p = 0.363) \) to their nearest bank branch.

Other respondent variables showed no significant influence on the TrBSM scale (Main Bank: \( F(3, 431) = 1.498, p = 0.214 \); Gender: \( t(432) = 1.424, p = 0.155 \)). Only respondents whose main bank had branches were included in these analyses.

8.2.5.5 Hypothesis 14 – Consumers are more likely to trust banks that have local physical bank branches

To test this hypothesis ANOVA tests were undertaken on the “trust in bank” construct (TrB) against the two bank branch proximity variables (see section 7.8.5). The means for both the local proximity and metric proximity are shown in Table 38. Means between 12 and 20 implied a degree of trust and means between 8 and 12 implied a degree of neutrality. In all cases, the general level of trust was relatively low or neutral

<table>
<thead>
<tr>
<th>Variable</th>
<th>( N )</th>
<th>( M )</th>
<th>( SD )</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local Proximity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Same suburb/town</td>
<td>285</td>
<td>12.40</td>
<td>3.412</td>
</tr>
<tr>
<td>2. Next suburb/town</td>
<td>105</td>
<td>12.27</td>
<td>3.309</td>
</tr>
<tr>
<td>3. More than two suburbs/towns away or no branches</td>
<td>59</td>
<td>11.75</td>
<td>2.733</td>
</tr>
<tr>
<td><strong>Metric Proximity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Under 5 km</td>
<td>290</td>
<td>12.44</td>
<td>3.325</td>
</tr>
<tr>
<td>2. 5-10 km</td>
<td>78</td>
<td>12.17</td>
<td>3.469</td>
</tr>
<tr>
<td>3. Over 10 km or no branches</td>
<td>81</td>
<td>11.84</td>
<td>3.068</td>
</tr>
</tbody>
</table>

\( N = 449 \)
The null hypothesis ($H_0$) for the ANOVA test was that there is no relationship between consumer trust in their bank and the proximity to their closest bank branch ($H_0: \mu_1 = \mu_2 = \mu_3$). For hypothesis 14 to be accepted the TrB means needed to decrease as distance to nearest bank increased ($H_{14}: \mu_1 > \mu_2 > \mu_3$). The tests against each proximity variable yielded results that were not significant, local proximity ($F(2, 446) = 0.969, p = 0.380$) and metric proximity ($F(2, 446) = 1.110, p = 0.331$) had no significant relationship to respondents’ level of trust in their bank.

Although proximity of nearest bank branch had no significant bearing on the level of trust consumers have in their banks, respondents were significantly more likely to agree that they “would not trust [their] bank if it did not have branches” ($M = 3.13, SD = 1.090, t(461) = 2.560, p = 0.001$). 41.0 percent agreed with the statement as opposed to 32.3 percent who disagreed. However this item was not tested for reliability.

Further testing showed that the age, gender, location (greater Melbourne versus regional Victoria) and the main bank of the respondents had no significant bearing on whether branch proximity was an indicator of the respondent’s level of trust in their bank (See Table 39).
### Table 39 Respondent variables and levels of trust in bank based on nearest branch proximity

<table>
<thead>
<tr>
<th>Variable</th>
<th>( N )</th>
<th>( \text{( F, p )} )</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-34</td>
<td>70</td>
<td>( F(2, 67) = 0.814, p = 0.814 )</td>
</tr>
<tr>
<td>35-49</td>
<td>138</td>
<td>( F(2, 135) = 1.530, p = 0.220 )</td>
</tr>
<tr>
<td>50-64</td>
<td>151</td>
<td>( F(2, 148) = 0.082, p = 0.922 )</td>
</tr>
<tr>
<td>65 and over</td>
<td>84</td>
<td>( F(2, 81) = 0.723, p = 0.488 )</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>218</td>
<td>( F(2, 215) = 0.267, p = 0.766 )</td>
</tr>
<tr>
<td>Female</td>
<td>229</td>
<td>( F(2, 226) = 1.850, p = 0.160 )</td>
</tr>
<tr>
<td><strong>Location</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater Melbourne</td>
<td>294</td>
<td>( F(2, 291) = 0.272, p = 0.762 )</td>
</tr>
<tr>
<td>Regional Victoria</td>
<td>155</td>
<td>( F(2, 152) = 0.961, p = 0.385 )</td>
</tr>
<tr>
<td><strong>Main Bank</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Major Bank</td>
<td>372</td>
<td>( F(2, 369) = 0.805, p = 0.448 )</td>
</tr>
<tr>
<td>Smaller Bank / Credit Union</td>
<td>77</td>
<td>( F(2, 74) = 1.175, p = 0.315 )</td>
</tr>
</tbody>
</table>

All testing of this hypothesis showed that there was no significant relationship between the level of trust in consumers and the proximity to their nearest bank branch. The hypothesis that consumers are more likely to trust banks that have local physical branches was rejected.

#### 8.2.5.6 Other Findings – Trust in Bank Staff & Management and Overall Bank Trust

Testing of Hypothesis 13 showed that consumers were more likely than not to trust their bank’s management and staff. Also testing found that consumers were more likely than not to trust their main bank. Taking into account these two statements, the TrBSM scale and the TrB scale were subjected to correlation testing using Pearson product-moment correlation. The data satisfied the assumptions for Pearson product-correlation in that the data pairs were related, the data were interval in nature and normally distributed and the relationship between the two variables was linear and was homoscedastic (Coakes & Steed 2003; Malhotra et al. 1996; Miller et al. 2002).

The results of the bivariate Pearson product-moment correlation showed that there was a significant positive relationship between TrBSM and TrB (\( r = 0.550, p < \))

196
0.001). Thus, consumer trust in the banks’ staff and management is associated with overall consumer trust in banks.

In the next section of the results chapter, hypotheses relating to deinstitutionalisation and banks are presented.
Section 8C
Deinstitutionalisation and Banks

8.2.6 Deinstitutionalisation and Banks
This section presents results relating to general beliefs that customers have about their banks, taking into account the deinstitutionalisation process. Section 8.2.3 presented results showing consumers recorded behaviour in term of how they interacted with their bank branches whereas this section includes results regarding banks’ perceived behavioural changes. Hypotheses 16 and 17 have a direct relationship to hypothesis 6. Where hypothesis 6 yielded a result that showed that consumers were more regular users of electronic banking facilities, hypotheses 16 and 17 are related to whether consumers prefer to use electronic banking facilities. Furthermore this section presents results as how customers feel about bank branch closures of the major banks.

8.2.6.1 Hypothesis 15 – Consumers believe that banks close down branches in small communities because they are unprofitable
85.5 percent of respondents agreed to some level with the statement “Banks close down branches in small communities” (5.6% disagreed). Respondents who agreed with this statement were incorporated in the testing phase for this hypothesis, as it relied upon respondents agreeing that bank are closing down branches in small communities ($N = 396$).

To test this hypothesis a one-sample $t$-test was undertaken on the results to the statement “Bank branches in small communities are not profitable for banks” (BBSCNP). The data for this item could not be tested for reliability as there were no other statements in the survey that could be matched for equivalence. The mean for the item was 2.98 ($SD = 0.965$), where a score of 3 denoted general neutrality. The null hypothesis ($H_0$) was: bank branches in small communities are neither profitable nor unprofitable ($H_0: \mu = 3$). For hypothesis 15 to be accepted a mean that was significantly greater than 3 was needed to be yielded ($H_{15}: \mu > 3$). The results of the $t$-test are shown in Table 40.
Table 40  One-Sample \( t \)-Test – BBSCNP

<table>
<thead>
<tr>
<th></th>
<th>( t )</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBSCNP</td>
<td>0.418</td>
<td>393</td>
<td>0.676</td>
<td>-0.020</td>
<td>-0.12 to 0.08</td>
</tr>
</tbody>
</table>

Test Value = 3

The results of the one-sample \( t \)-test showed that the level of agreement (or disagreement) with the statement was not significant \((t(393) = 0.418, p = 0.676)\). Based on the testing, Hypothesis 15 was rejected and the null hypothesis was upheld: consumers believe bank branches in small communities are neither profitable nor unprofitable.

The only respondent attribute to show a significant relationship to the level of agreement or disagreement with the statement was location. Greater Melbourne consumers \((M = 3.07, SD = 0.970)\) were more likely to agree with the statement (BBSCNP) than regional Victorian consumers \((M = 2.82, SD = 0.939)\) \((t(392) = 2.432, p = 0.015)\). However, a one-sample \( t \)-test of BBSCP using only respondents from greater Melbourne \((N = 254)\) again revealed no significant agreement or disagreement with the statement \((t(253) = 1.100, p = 0.272)\).

Looking closer at the results, 40.6 percent of the selected respondents responded to the tested statement that they were “not sure” whether banks branches in small communities were profitable. This high incidence of “not sure” may mean that the statement was not clear and that a scale with more items should be used to test this hypothesis.

8.2.6.2 Hypothesis 16 – Consumers would prefer local availability of electronic banking services over local bank branch services

According to the survey results, 61.4 percent of respondents agreed to an extent that they could complete most of their bank transactions without visiting a bank branch (32.1% disagreed). Apart from EFTPOS, a number of specific physical bank service points (ATMs, post office banking services and in-supermarket banking services) were contrasted directly with banks branches in the questionnaire. This hypothesis focuses on the ATM as the key alternative for transactional banking services.
A scale was used to contrast consumer preferences directly between ATMs and bank branches in respondents’ local communities. Respondents were asked if they would prefer a bank branch over an ATM for their main bank in their local community (and also the reverse of this question) (see Table 41). Responses to these two questions were used in combination to produce a bank branch versus ATM preference scale (BBvATM). Measurement of the reliability of the Social Obligations scale was achieved through employing Cronbach’s coefficient alpha (see Table 41).

Table 41 Measurement Scale – BBvATM

<table>
<thead>
<tr>
<th>Item</th>
<th>Measure</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBvATM1</td>
<td>I would prefer to have a bank branch in my suburb/town than an ATM</td>
<td>0.707</td>
</tr>
<tr>
<td></td>
<td>(Automatic Teller Machine),*</td>
<td></td>
</tr>
<tr>
<td>BBvATM2</td>
<td>I would prefer to have an ATM (Automatic Teller Machine) in my suburb/town than a bank branch.</td>
<td></td>
</tr>
</tbody>
</table>

* Scale reversed when calculating Cronbach’s Alpha.

The scale yielded an alpha score above 0.65 (α = 0.707), which means the scale demonstrated acceptable reliability (DeVellis 1991).

The null hypothesis (H0) for this hypothesis was: consumers have equal preference for local availability of electronic banking services and local bank branch services. The construct was composed of two items with a maximum scale score of 10 and a minimum scale score of 2. For the null hypothesis to be retained a mean score of 6 was needed (H0: μ = 6). For hypothesis 16 to be accepted a mean that was significantly greater than 6 was needed to be yielded (H16: μ > 6).

The scale (composed of 2 items) had an overall mean of 4.50 (SD = 1.95), where a score between 2 and 5.9 implied a degree of agreement that respondents would prefer a bank branch in their suburb or town over an ATM. The results from the t-test for BBvATM are shown in Table 42.

Table 42 One-Sample t-Test – BBvATM

<table>
<thead>
<tr>
<th></th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBvATM</td>
<td>16.534</td>
<td>464</td>
<td>.000</td>
<td>-1.49677</td>
<td>-1.6747 -1.3189</td>
</tr>
</tbody>
</table>

Test Value = 6
The one-sample \( t \)-test yielded a significant \((t(464) = 16.534, p < 0.001)\) result, meaning that respondents were more likely to prefer a bank branch in their suburb or town over an ATM. This means both the null hypothesis and Hypothesis 16 must be rejected.

Regional Victorian consumers \((M = 4.25, SD = 1.89)\) were significantly more likely to prefer bank branches over ATMs in their town than greater Melbourne consumers \((M = 4.67, SD = 1.98)\) \((t(463) = 2.061, p = 0.040)\). Also, age was a significant factor influencing consumers’ preference of facility \((F(3, 455) = 7.629, p < 0.001)\). The means for each age category are shown in Table 43.

**Table 43** Age and BBvATM

<table>
<thead>
<tr>
<th>Age</th>
<th>N</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-34</td>
<td>71</td>
<td>5.03</td>
<td>1.978</td>
</tr>
<tr>
<td>35-49</td>
<td>139</td>
<td>4.90</td>
<td>1.976</td>
</tr>
<tr>
<td>50-64</td>
<td>158</td>
<td>4.13</td>
<td>1.902</td>
</tr>
<tr>
<td>65 and over</td>
<td>91</td>
<td>4.03</td>
<td>1.729</td>
</tr>
</tbody>
</table>

\(N = 459\)

Older consumers were significantly more likely to prefer bank branches over ATMs in their suburb or town than younger consumers; i.e. 50-64 years old \((18-34: HSD = 0.895, p = 0.006 and 35-49: HSD = 0.766, p = 0.003)\) and 65 years old and over \((18-34: HSD = 0.995, p = 0.006 and 35-49: HSD = 0.866, p = 0.004)\).

The type of bank that consumer’s banked with was a significant factor influencing consumers’ preference of facility \((F(3, 461) = 3.069, p = 0.028)\). The means for each bank category are shown in Table 44.

**Table 44** Main Bank Type and BBvATM

<table>
<thead>
<tr>
<th>Bank</th>
<th>N</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Banks</td>
<td>385</td>
<td>4.42</td>
<td>1.908</td>
</tr>
<tr>
<td>Bendigo Bank</td>
<td>26</td>
<td>4.27</td>
<td>1.638</td>
</tr>
<tr>
<td>Other Smaller Banks</td>
<td>16</td>
<td>4.69</td>
<td>2.213</td>
</tr>
<tr>
<td>Credit Unions</td>
<td>38</td>
<td>5.39</td>
<td>2.296</td>
</tr>
</tbody>
</table>

\(N = 465\)
Consumers whose main bank was a credit union were significantly more likely than consumers who banked with a major bank to prefer having an ATM in their community than a bank branch. ($HSD = 0.971, p = 0.018$).

Although consumers were generally more likely to prefer a bank branch in their town or suburb, 66.8 percent of respondents believed that ATMs were more convenient than the bank branch.

Some banks offer basic banking services through post offices. The majority (62.0%) of respondents disagreed that, if their local office provided banking facilities, that a bank branch would not be needed in their community (19.2% agreed). 82.5 percent of respondents believed that a post office banking service could not provide a complete banking service. A similar, although more striking, response was achieved when contrasting bank branch services with supermarket banking services; 82.2 percent of respondents disagreed with the proposition that, if a supermarket provides banking services, a bank branch is not needed in the community (7.3% agreed).

8.2.6.3 Hypothesis 17 – Consumers would prefer to use Internet banking over bank branches

Two key statements solicited responses that related this hypothesis; they were: “Internet banking is more convenient than visiting a bank branch” and “Using Internet banking can mean I don’t need to visit the bank branch”. Responses to these two questions (statements) were used in combination to produce a Preference – Internet Banking over Bank Branch scale (PrIBB). Measurement of the reliability of the PrIBB scale was achieved by employing Cronbach’s coefficient alpha (see Table 45).

<table>
<thead>
<tr>
<th>Item</th>
<th>Measure</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>PrIBB1</td>
<td>Internet banking is more convenient than visiting a bank branch.</td>
<td>0.716</td>
</tr>
<tr>
<td>PrIBB2</td>
<td>Using Internet banking can mean I don’t need to visit the bank branch as often.</td>
<td></td>
</tr>
</tbody>
</table>

The scale yielded an alpha score above 0.65 ($\alpha = 0.716$), which means the scale demonstrated acceptable reliability (DeVellis 1991).
The scale (composed of 2 items) had an overall mean of 6.19 ($SD = 2.227$), where a score between 6.1 and 10 implied a degree of agreement that Internet banking is preferable to bank branch banking.

To test the hypothesis, a one-sample $t$-test was undertaken on the scale. The null hypothesis ($H_0$) for this test was: consumers equally prefer Internet banking to bank branches. This meant that the null hypothesis had a mean of 6 ($H_0: \mu = 6$). For hypothesis 17 to be accepted a mean that was significantly greater than 6 was needed to be yielded ($H_{17}: \mu > 6$).

The results of the $t$-test showed a difference that was not significant ($t(458) = 1.802$, $p = 0.072$). To summarise, when all respondents were included in testing, consumers were found to be unlikely to prefer Internet banking over bank branch banking. However this test incorporated respondents who had not used Internet banking in the last month or never at all. Further testing on the scale was undertaken with respondents who had not used Internet Banking in the previous month omitted (68.8% of respondents).

Of respondents who had used Internet banking in the previous month, the PrIBB scale yielded a mean of 7.99 ($SD = 1.771$) where a score between 6.1 and 10 implied a degree of agreement that Internet banking is preferable to banking at branches. The $t$-test for the PrIBB scale of the respondents who had used Internet banking at least once in the previous month is shown in Table 46.

<table>
<thead>
<tr>
<th></th>
<th>$t$</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>PrIBB</td>
<td>13.596</td>
<td>145</td>
<td>0.000</td>
<td>1.993</td>
<td>1.70 to 2.28</td>
</tr>
</tbody>
</table>

Test Value = 6

The two-tailed significance was 0.000, which was less than 0.05, and showed that the difference between the means is significant. The test showed that $t(145) = 13.596$, $p > 0.001$. The research hypothesis that consumers prefer to use Internet banking over bank branches was upheld, and the null hypothesis was rejected.
Although consumers who had access to Internet Banking are more likely to prefer banking on the Internet over bank branches, 76.7 percent of respondents who used Internet banking disagreed with the statement “Internet banking has made bank branches unnecessary”.

Further analysis of the PrIBB scale relative to respondent variables yielded the following results. There was a significant difference in mean PrIBB scale scores when cross-tabulated with respondents’ age ($F(3, 449) = 19.714, p < 0.001$) (See Table 47).

**Table 47 Age and PrIBB**

<table>
<thead>
<tr>
<th>Age</th>
<th>N</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-34</td>
<td>70</td>
<td>6.76</td>
<td>2.032</td>
</tr>
<tr>
<td>35-49</td>
<td>137</td>
<td>6.94</td>
<td>2.242</td>
</tr>
<tr>
<td>50-64</td>
<td>156</td>
<td>6.01</td>
<td>1.987</td>
</tr>
<tr>
<td>65 and over</td>
<td>90</td>
<td>4.88</td>
<td>2.098</td>
</tr>
</tbody>
</table>

$N = 453$

The significance of the result was more pronounced with consumers aged 65 and over when compared to the other three age categories (18-34: $HSD = 1.879 \ p < 0.001$; 35-49: $HSD = 2.064, \ p < 0.001$; 50-64: $HSD = 1.135, \ p < 0.001$). Respondents who were 65 and over were found to be less likely to prefer Internet banking compared to bank branch banking. However it should be noted that respondents over 65 were least likely to use Internet banking (see section 8.2.3.4 and 8.2.3.5).

Greater Melbourne consumers ($M = 6.40, SD = 2.296$) were significantly more likely to prefer using Internet banking than regional Victorian consumers ($M = 5.79, SD = 2.039$) ($t(457) = 2.831, \ p = 0.005$). The type of customers’ main bank had a significant link as to whether consumers were likely to prefer Internet banking over bank branch banking ($F(3, 455) = 3.539, \ p = 0.015$). Credit union customers ($M = 7.14, SD = 2.198$) were significantly more likely to prefer Internet banking over bank branch banking than major bank customers ($M = 6.07, SD = 2.243$) ($HSD = 1.072, p = 0.032$).
Local proximity to nearest bank branch had a significant relationship to consumer preference for Internet banking over branch banking ($F(2, 456) = 5.957, p = 0.003$). Customers whose nearest bank branch was more than one suburb or town away ($M = 7.10, SD = 1.953$) were significantly more likely to prefer Internet banking over branch banking than customers whose nearest bank branch was in their suburb or town ($M = 6.10, SD = 2.288$) or in the next suburb or town ($M = 5.94, SD = 2.095$) ($HSD = 1.004, p = 0.005$ and $HSD = 1.167, p = 0.003$, respectively).

Gender of consumer was found to not have a significant impact on consumer preference for Internet banking over branch banking ($t(455) = 0.456, p = 0.649$).

### 8.2.7 Deinstitutionalisation and Banks – Consumer Trust

This section presents results pertaining to respondents’ beliefs about the trustworthiness of their own banks, banks in general and also Community Banks. In essence this section presents results which reflect the role of banks in the community and tested the institutional attributes of a bank branch. Furthermore, whether respondents believed that the trustworthiness of banks had changed over time was investigated. The relevant concepts and hypothesised relationships are shown in Figure 26.
The key constructs analysed in this section were the TrB (Trust – Banks), TrCB (Trust – Community Banks) and CBGfC (Community Banks – Good for Communities). When tested for reliability in Chapter 6, all three constructs demonstrated acceptable reliability (TrB: \(\alpha = 0.798\); TrCB: \(\alpha = 0.674\); CBGfC: \(\alpha = 0.657\)) and validity (see Chapter 7).

Testing of the TrB construct revealed that respondents were generally close to being neutral in the level of trust they had in their bank (\(M = 12.29, SD = 3.307\), where responses between 12 and 20 denote a level of agreement). A one-sample \(t\)-test confirmed this, showing that there was no significant agreement (\(t(488) = 1.827, p = 0.068\)) that respondents believe that their banks were trustworthy.

In contrast, testing of the TrCB construct showed that respondents, who were aware of the Community Bank Scheme (\(N = 353, 75.4\%\) of respondents), were
generally in agreement that Community Banks were trustworthy ($M = 11.61$, $SD = 1.821$, where responses between 9 and 15 denote a level of agreement). A one-sample $t$-test confirmed this, showing that there was significant agreement ($t(352) = 21.824, p < 0.001$) that respondents believe that Community Banks were trustworthy. However, some caution must be taken when making direct comparisons between the TrB and TrCB constructs for two reasons. Firstly, responses used in the TrB construct were related to the consumers’ beliefs and attitude to their own banks and therefore based on beliefs and experience, whereas in the majority (92.5%) of respondents did not have any account at a Community Bank. This means that, for the majority of respondents, responses were based on beliefs and not experiences. Secondly, the underlying scales of both constructs were composed of items that were not directly comparable in terms of number and wording.

Further tests were undertaken on the TrB construct to explore whether there were any relationships between the various respondent factors. Table 48 shows the differences in means when the respondents are grouped by the age variable.

<table>
<thead>
<tr>
<th>Age</th>
<th>$N$</th>
<th>$M$</th>
<th>$SD$</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-34</td>
<td>70</td>
<td>11.39</td>
<td>2.871</td>
</tr>
<tr>
<td>35-49</td>
<td>138</td>
<td>11.67</td>
<td>3.318</td>
</tr>
<tr>
<td>50-64</td>
<td>151</td>
<td>12.32</td>
<td>3.338</td>
</tr>
<tr>
<td>65 and over</td>
<td>84</td>
<td>13.95</td>
<td>3.089</td>
</tr>
</tbody>
</table>

$N = 443$

There appeared to be a positive relationship between trust levels and age. A one-way ANOVA test confirmed this, showing that that there was a significant difference in the means ($F(3, 439) = 11.021, p < 0.001$). Consumers that were 65 and over were significantly more likely to trust their bank than all other age categories (18-34: HSD = 2.567, $p < 0.001$; 35-49: HSD = 2.278, $p < 0.001$; 50-64: HSD = 1.628, $p = 0.001$). There was no significant link between the level of trust the respondents had in their bank and their gender ($t(445) = 1.678, p = 0.094$) or whether they were located in greater Melbourne or Regional Victoria ($t(447) = -1.830, p = 0.068$).
8.2.7.1 Hypothesis 18 - Consumers believe that banks are less trustworthy than in the past

Ideally, to measure respondents’ belief changes over a significant period of time, two separate surveys would need to be undertaken over that period of time. However, surveying the same respondents (or even a different sample of respondents) would not be suitable for this study because of time and cost constraints. Consequently, respondents were asked in the questionnaire, in two instances, whether they believed that their bank was more (or less) trustworthy than in the past.

Two key statements solicited responses that related this hypothesis, they were: “Banks are just as trustworthy as they’ve ever been” and “Banks are not as trustworthy as they used to be”. Neither statement specified a distinct date for the respondents to contrast with banks’ present trustworthiness. Also neither statement referred directly to the respondents’ main banks because the aim of the questioning was to achieve a result that represents respondents’ views on banks in general. Responses to these two questions (statements) were used in combination to produce a Trust – Change scale (TrP). Measurement of the reliability of the TrP scale was achieved through employing Cronbach’s coefficient alpha (see Table 49).

<table>
<thead>
<tr>
<th>Item</th>
<th>Measure</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>TrP1</td>
<td>Banks are just as trustworthy as they’ve ever been.*</td>
<td>0.750</td>
</tr>
<tr>
<td>TrP2</td>
<td>Banks are not as trustworthy as they used to be.</td>
<td></td>
</tr>
</tbody>
</table>

* Scale reversed when calculating Cronbach’s Alpha

The scale yielded an alpha score above 0.65 ($\alpha = 0.750$), which means the scale demonstrated acceptable reliability (DeVellis 1991).

The scale (composed of 2 items) had an overall mean of 6.36 ($SD = 1.93$), where a score between 6.1 and 10 implied a degree of agreement that banks are less trustworthy than they were in the past.

To test the hypothesis a one-sample $t$-test was undertaken on the construct. The null hypothesis ($H_0$) for this test was: consumers believe that banks are neither
more nor less trustworthy than they were in the past \((H_0: \mu = 6)\). For hypothesis 18 to be accepted a mean that was significantly greater than 6 was needed to be yielded \((H_{18}: \mu > 6)\). The results from the \(t\)-test for TrP are shown in Table 50.

**Table 50 One-Sample \(t\)-Test – TrP**

<table>
<thead>
<tr>
<th></th>
<th>(t)</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>TrP</td>
<td>3.991</td>
<td>456</td>
<td>.000</td>
<td>.361</td>
<td>.18 to .54</td>
</tr>
</tbody>
</table>

Test Value = 6

The two-tailed significance was 0.000, which was less than 0.05, and showed that the difference between the means is significant. The test showed that \(t(456) = 3.991, p > 0.001\). The research hypothesis that consumers believe that banks are less trustworthy than in the past was upheld, and the null hypothesis was rejected.

To gain a richer picture of the characteristics of the respondents who are more likely to believe that banks were not as trustworthy as they were in the past, the data were subjected to a series of independent-samples \(t\)-tests and ANOVA tests. Where applicable, HSD post-hoc tests were undertaken on the results of ANOVA tests which showed significant relationships between the dependent and independent variables.

The means for the TrP construct when cross-tabulated with respondents’ ages showed that as age increased respondents were less likely to believe that banks are less trustworthy than they were in the past (see Table 51).

**Table 51 Age and Respondents’ beliefs of whether the trustworthiness of banks has changed**

<table>
<thead>
<tr>
<th>Age</th>
<th>(N)</th>
<th>(M)</th>
<th>(SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-34</td>
<td>70</td>
<td>6.76</td>
<td>1.663</td>
</tr>
<tr>
<td>35-49</td>
<td>138</td>
<td>6.59</td>
<td>1.898</td>
</tr>
<tr>
<td>50-64</td>
<td>154</td>
<td>6.35</td>
<td>1.989</td>
</tr>
<tr>
<td>65 and over</td>
<td>89</td>
<td>5.72</td>
<td>2.000</td>
</tr>
</tbody>
</table>

\(N = 451\)
An ANOVA test showed that this difference was significant \( F(3, 447) = 4.967, p = 0.002 \). More specifically, respondents aged 65 and over were significantly less likely to believe that banks were less trustworthy than they were in the past than respondents aged between 18 and 34 \( (HSD = 1.038, p = 0.004) \) and respondents aged between 35 and 49 \( (HSD = 0.868, p = 0.005) \).

The results of other tests were:

- Who the respondents banked with influenced consumers’ likelihood to believe that banks were less trustworthy than in the past \( (F(3, 453) = 5.124, p = 0.002) \). Respondents who did their banking through credit unions \( (M = 7.38, SD = 1.460) \) were significantly more likely to believe that banks were less trustworthy than in the past than customers who did their banking through major banks \( (M = 6.21, SD = 1.917) \) \( (HSD = 1.167, p = 0.002) \).

- There was a significant difference between local/metric proximity to the respondents’ nearest bank branch and whether they were likely to believe that banks were less trustworthy than in the past \( (\text{Local proximity}: F(2, 454) = 4.007, p = 0.019; \text{Metric proximity}: F(2, 454) = 3.177, p = 0.043) \). Respondents who have a bank branch in their suburb or town \( (M = 6.23, SD = 1.937) \) were significantly less likely to believe that banks are less trustworthy than they were in the past, than respondents whose nearest bank branch was more than one suburb or town away \( (M = 7.00, SD = 1.737) \) \( (HSD = 0.772, p = 0.013) \). Consistent with this, respondents whose nearest bank branch was less five kilometres away \( (M = 6.84, SD = 1.920) \) were significantly less likely to believe that banks are less trustworthy than they were in the past than respondents whose nearest bank branch was ten or more kilometres away \( (M = 6.84, SD = 1.920) \) \( (HSD = 0.608, p = 0.032) \).

- Gender and location were not significant influences on the likelihood of respondents to believe that banks were less trustworthy than they were in the past \( (\text{gender}: t(453) = 1.436, p = 0.152; \text{Location}: t(455) = 1.463, p = 0.144) \).

8.2.7.2 Hypothesis 19 – Consumers believe that all the major banks are the same in terms of trustworthiness

A one-way ANOVA was the key method employed when testing this hypothesis. The TrB construct was used as the dependent variable, with the respondents’ main
banks used as the grouping factor (independent variable). The null hypothesis \((H_0)\) was that consumers believe that there are differences in the major banks in terms of their trustworthiness \((H_0: \mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4)\). For hypothesis 19 to be accepted differences in means between the banks needed to be not significant \((H_{19}: \mu_1 = \mu_2 = \mu_3 = \mu_4)\). For this reason, only cases where respondents had identified a major bank (See section 7.8.5) as their main bank were selected and tested. The means and standard deviations of the level of trust of respondents are shown in Table 52.

### Table 52 Consumer Trust in Major Banks

<table>
<thead>
<tr>
<th>Major Bank</th>
<th>N</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ANZ</td>
<td>57</td>
<td>12.47</td>
<td>3.556</td>
</tr>
<tr>
<td>2. Commonwealth Bank</td>
<td>156</td>
<td>12.18</td>
<td>3.326</td>
</tr>
<tr>
<td>3. National</td>
<td>81</td>
<td>12.44</td>
<td>3.801</td>
</tr>
<tr>
<td>4. Westpac</td>
<td>78</td>
<td>12.35</td>
<td>3.040</td>
</tr>
</tbody>
</table>

\(N = 372\)

The TrB scale had a maximum of 20, with responses above 12 (neutral) showing a degree of agreement that their bank is trustworthy. The results for all banks show a general level of agreement (although low) for respondents regardless of their main bank. ANOVA results showed no significant variance \((F(3, 368) = 0.164, p = 0.921)\) between respondents based on their main bank. This indicated that there was no significant difference between consumer beliefs of the trustworthiness of each of the four major banks. The research hypothesis that consumers believe that all the major banks are the same in terms of trustworthiness was upheld, and the null hypothesis was rejected.

#### 8.2.7.3 Hypothesis 20 – Consumers do not trust the major banks as much as smaller banks and credit unions

To test this hypothesis an independent-samples \(t\)-test was undertaken on the TrB construct, with the respondents’ main bank (major banks or smaller banks / credit unions) as the grouping variable (independent variable). The null hypothesis \((H_0)\) was that there is no difference in consumer trust in major banks and smaller banks and credit unions \((H_0: \mu_{MB} = \mu_{SB&CU})\). For hypothesis 20 to be accepted the TrB mean for major banks needed to be significantly less than the TrB mean for smaller banks and credit unions \((H_{20}: \mu_{MB} < \mu_{SB&CU})\). The major bank customers group had a mean of 12.32 \((SD = 3.403)\) compared to smaller bank and credit
union customers who had a mean of 12.13 (SD = 2.811), where a result between 12 and 20 denoted a level of agreement in terms of trusting their main bank. The Levene’s test for equality of variance (F = 4.560, p = 0.033) yielded a significance level less than 0.05 meaning that equal variances could not be assumed. Table 53 shows the results of the t-test.

<table>
<thead>
<tr>
<th>Table 53</th>
<th>Independent-Samples t-Test – Trust in Major Banks compared to Trust in Smaller Banks and Credit Unions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>t</td>
</tr>
<tr>
<td>TrB (Equal variances not Assumed)</td>
<td>.512</td>
</tr>
</tbody>
</table>

The results of the t-test showed a not insignificant difference (t(126.70) = 0.512, p = 0.609) in the levels of trust held in the two categories of bank. Further analysis using an ANOVA test of trust against the four identified main bank categories (see section 7.8.5), confirmed this t-test result showing no significant difference in level of trust between the various main bank categories (F(3, 445) = 0.161, p = 0.923). This means that customers of major banks have a similar level of trust in their bank to smaller bank and credit union customers. From these results, Hypothesis 20 (H20) that consumers do not trust the major banks as much as they trust smaller banks and credit unions must be rejected and the null hypothesis retained.

8.2.7.4 Hypothesis 21 – Consumers trust Community Banks more than Major Banks

To test this hypothesis a paired-samples t-test was undertaken with both of the key trust constructs (TrB and TrCB) to see if there was any significant difference between consumers trust in Community Banks and major banks. The null hypothesis (H0) for this hypothesis was that there is no difference between consumers’ trust of major banks and Community Banks (H0: μTrB = μTrCB). For hypothesis 21 to be accepted the TrB mean was needed to be significantly less than the TrCB mean (H21: μTrB < μTrCB). The constructs were composed of an unequal number of items, so the responses to underlying items of both constructs were added and then divided by the number of items. This made the results of
both constructs justly comparable. TrB ($M = 3.09$, $SD = 0.85$) had a lower mean than TrCB ($M = 3.69$, $SD = 0.58$). The results of the paired-samples $t$-test for hypothesis 21 are shown in Table 54.

<table>
<thead>
<tr>
<th>Paired Differences</th>
<th>$M$</th>
<th>$SD$</th>
<th>Std. Error</th>
<th>Mean</th>
<th>95% Confidence Interval of the Difference</th>
<th>$t$</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TrB-TrCB</td>
<td>-.600</td>
<td>1.090</td>
<td>.064</td>
<td>-.727</td>
<td>-.473</td>
<td>-9.307</td>
<td>285</td>
<td>.000</td>
</tr>
</tbody>
</table>

$N = 286$

There was a significant difference in respondents beliefs of the trustworthiness of the major banks ($t(285) = -9.307$, $p < 0.001$). This means that consumers were more likely to believe that Community Banks are more trustworthy than the major banks. Again, as earlier stated, the results must be interpreted with caution, because the cases tested were for respondents who have their main accounts at major banks only (respondents who indicated their main bank was Bendigo Bank, credit unions and non-major banks were excluded). Therefore the majority of respondents would base their responses about major banks on both experiences and beliefs, but for Community Banks base their responses on beliefs only. However the very high significance of the result ($p < 0.001$), the odds of type I error being less than one in one thousand, means that it can be confidently deduced from the results that consumers believe that Community Banks are more trustworthy than the major banks, and the null hypothesis is rejected.

### 8.2.7.5 Other Findings

A one-sample $t$-test was undertaken on the CBGfC construct (composed of three items). A total of 352 (75.2%) useable responses were tested (reflecting the 77.6% awareness of the Community Bank scheme). Results of the survey for the construct have an overall mean of 12.02 ($SD = 1.69$), where a score between 9.1 and 15 implied a degree of agreement that Community Banks are good for their communities. Along with an overall 89.8 percent agreement from respondents, this mean showed a high degree of agreement amongst respondents. The null
hypothesis (H_0) for this test was: consumers believe that Community Banks are neither good nor bad for the community (H_0: μ = 9). A score significantly greater than 9 denotes a significant level of agreement.

The results from the t-test for CBGfC showed that consumers were significantly more likely to believe that Community Banks are good for the community (t(351) = 33.486, p < 0.001). Further t-tests and ANOVAs were used to test the CBGfC construct against respondent variables. None of the tests yielded significant results (age: F(2,542) = 2.123, p = 0.096; gender: t(348) = -1.050, p = 0.294; location: t(350) = -1.426, p = 0.155; local proximity of nearest bank branch: F(2, 349) = 0.984, p = 0.375; main bank (Bendigo Bank or other bank): t(350) = -1.821, p = 0.069).

Returning to the TrCB construct, further tests were undertaken to explore whether there were any relationships between the various respondent factors. ANOVA and t-tests on the TrCB construct yielded the following results (only respondents who were aware of Community Banks were included in these analyses (N = 349):

- The group of respondents who had an account (or accounts) with a Community Bank (N = 34) had a higher mean TrCB score (M = 12.53, SD 1.67) than respondents who didn’t (M = 10.98, SD = 1.67). Consumers who have an account at a Community Bank were significantly more likely (t(347) = -4.866, p < 0.001) to think that Community Banks were more trustworthy than those who didn’t.

- There was no significant difference (t(283) = -0.960, p =0.338) between the perceptions of trustworthiness of Community Banks between respondents who had Community Banks in their local community than those who didn’t.

- There was a difference in means for regional Victorian respondents compared to greater Melbourne respondents in terms of trusting Community Banks (M = 11.46, SD = 1.66 and M = 10.96, SD = 1.88 respectively). Regional Victorian consumers were significantly more likely to believe that Community Banks are trustworthy than greater Melbourne consumers (t(348) = -2.450, p = 0.015)
There was no significant relationship between age \( (F(3, 340) = 0.126, p = 0.945) \) and gender \( (t(337.249) = 0.357, p = 0.721) \) and perceptions of trustworthiness of Community Banks.

### 8.2.8 Deinstitutionalisation and Banks – Social Obligations

Results for Hypothesis 2 (see section 8.2.2) established that the majority of respondents believed that banks have social obligations to the community (82.7%). This section reviews how well respondents believe that banks are fulfilling these obligations and whether they believe that banks are meeting these obligations better or worse than in the past.

![Social Obligation Fulfilment Diagram](image-url)

**Figure 27  Social Obligation Fulfilment**
Ideally, to measure respondents’ belief changes over a significant period of time two separate surveys would need to be undertaken over that period of time. However, this could not be done, as noted above. Therefore, the survey asked all respondents two questions: “In general, how well do you think social obligations are currently met by the banks?” and “In general, how well do you think social obligations were met by the banks 10 years ago?”. By asking the respondents whether they believe that the banks meet social obligations now and also 10 years ago enables the researcher to measure the discrepancy between the two answers given to discover whether respondents believe that the situation has improved, worsened, or remained relatively the same.

Because of the ages of the respondents (between 18 and 95), it was not possible to accurately measure any further back than 10 years for the respondents’ perceptions of banks’ meeting social obligations. A considerable proportion of the sample would not be able to make a fair judgement on a period longer than this, because some of these respondents may not have been alive or able to remember back that far. However the time elected to be measured (10 years ago, 1993) is interesting for a number of reasons:

- The Commonwealth bank had only recently taken over the State Bank of Victoria in 1990 (Singh 1991).
- Electronic banking services were becoming more popular – particularly phone, EFTPOS and ATM banking. ATMs and particularly EFTPOS terminals had been increasing rapidly (Reserve Bank of Australia 2004).
- 1993 was the last year where there was a significant increase in the number of bank branches in Australia (Reserve Bank of Australia 2004).
- Australia was in recession.
- Deregulation of the Australian banking system had been in place for almost 10 years (Singh 1991).

It was anticipated that there might be differences in perceptions across age groups and between greater Melbourne and regional Victorian respondents.
8.2.8.1 Hypothesis 22 – Consumers believe that social obligations were met in the past

To test the hypothesis a one-sample \( t \)-test was undertaken on the construct. The null hypothesis (H\(_0\)) for this test was: consumers believe that banks met their social obligations neither poorly nor well in the past (H\(_0\); \( \mu = 3 \)). For Hypothesis 22 to be accepted a mean that was significantly greater than 3 was needed to be yielded (H\(_{22}\); \( \mu > 3 \)). The results from the \( t \)-test for Social Obligations (Past) are shown in Table 55. The scale had an overall mean of 3.39 (SD = 0.92), where a score between 3.1 and 5 implied that respondents believed the social obligations were met well (or very well) in the past.

<table>
<thead>
<tr>
<th>Social obligations in the past.</th>
<th>( t )</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9.099</td>
<td>450</td>
<td>.000</td>
<td>.392</td>
<td>.31 – .48</td>
</tr>
</tbody>
</table>

Test Value = 3

The two-tailed significance was .000, which was less than .05, and showed that the difference between the means is significant. The test showed that \( t(450) = 9.099, p < 0.001 \). The research hypothesis that consumers believe that social obligations were met in the past (ten years ago) was upheld, and the null hypothesis was rejected.

Further ANOVA and \( t \)-test analyses yielded the following results:

- Age was significant influence as to whether respondents believed that banks met social obligations in the past (\( F(3, 441) = 3.371, p = 0.018 \)). Tukey HSD post-hoc testing showed that the significant difference occurred between respondents aged between 35 and 49 and respondents aged 65 and over (HSD = 0.391, \( p = 0.009 \)). Respondents aged over 65 were more likely to think that banks fulfilled their social obligations ten years ago (\( M = 3.64, SD = 1.03 \)), than respondents aged between 35 and 49 (\( M = 3.25, SD = 0.89 \)).
- All other independent variables tested showed no statistically significant effect on respondents’ likelihood to believe that banks met their social obligations in
the past: gender ($t(447) = -0.901, p = 0.368$), location ($t(449) = -0.992, p = 0.322$), main bank ($t(449) = 0.388, p = 0.698$), local proximity of nearest bank branch ($F(2, 448) = 2.167, p = 0.116$), metric proximity of nearest branch ($F(2, 448) = 1.522, p = 0.219$).

Overall, these tests showed that there was an overall general belief amongst respondents that banks fulfilled their social obligations in the past, with only some variances in belief of importance across some age categories. However, all age categories shared a broad agreement that banks fulfilled their social obligations well in the past.

8.2.8.2 Hypothesis 23 – Consumers do not believe that banks currently meet their social obligations as well as in the past

The responses from the question, “In general, how well do you think social obligations are currently met by the banks?” was the key dependent variable for the testing of this hypothesis. This question was contrasted with responses from the question, “In general, how well do you think social obligations were met by the banks 10 years ago” (tested in Hypothesis 22, see section 8.2.8.1) using a paired-samples $t$-test.

Firstly, a one-sample $t$-test was undertaken on the results to the question, “In general, how well do you think the social obligations are currently being met by the banks?” to discover whether respondents did or did not believe that banks were meeting their social obligations. The null hypothesis ($H_0$) was: consumers believe that banks meet there social obligations neither poorly nor well ($H_0: \mu = 3$). The results of the $t$-test showed that a significant ($t(449) = -11.863, p < 0.001$) difference between the null hypothesis and the results from the question, meaning that most consumers believed that banks were poorly fulfilling their social obligations ($M = 2.52, SD = 0.86$).

The key hypothesis test was a paired-samples $t$-test between the results from the two questions asking whether respondents believe that the banks had met their social obligations 10 years ago, and whether they meet them currently. The null hypothesis ($H_0$) was that consumers believe that the levels to which banks have met their social obligations have not changed over time ($H_0: \mu_{\text{Past}} = \mu_{\text{Pres}}$). For hypothesis 23 to be accepted, the past social obligations mean needed to be
significantly greater than the present social obligations mean ($H_{23}: \mu_{Past} > \mu_{Pres}$). Table 56 shows the results to the paired-samples $t$-test undertaken.

<table>
<thead>
<tr>
<th>Paired Differences</th>
<th>95% Confidence Interval of the Difference</th>
<th>$T$</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Obligations currently met – Bank Obligations met 10 years ago</td>
<td>-0.873</td>
<td>1.075</td>
<td>0.051</td>
<td>-0.973</td>
</tr>
</tbody>
</table>

The results of the $t$-test showed that there has been a significant ($t(448) = -17.208, p < 0.001$) change in the way that consumers perceive that banks have met their social obligations over time. Consumers were more likely to believe that banks met their obligations better in the past ($M = 3.39, SD = 0.92$) than they do now ($M = 2.52, SD = 0.86$). The null hypothesis was rejected, and the hypothesis that consumers do not believe that banks meet their social obligations as well as in the past was upheld.

Local proximity to a bank branch was a significant ($F(2, 447) = 6.286, p = 0.002$) influence on respondents’ beliefs about whether banks are presently meeting their social obligations. Pairwise comparisons with the Tukey HSD procedure showed that respondents who had a bank branch of their main bank in their home suburb/town or in the next suburb or town were significantly ($HSD = 0.434, p = 0.001$ and $HSD = 0.370, p = 0.022$) more likely to believe that banks were meeting their social obligations than respondents whose nearest bank was further than one suburb away (see Table 57 for respective means and standard deviations).
Table 57  Main bank branch proximity and Respondents’ beliefs about banks meeting social obligations

<table>
<thead>
<tr>
<th>Proximity to nearest branch of respondent's main bank</th>
<th>N</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>In the suburb or town of residence</td>
<td>287</td>
<td>2.59</td>
<td>.860</td>
</tr>
<tr>
<td>In the neighbouring suburb or town</td>
<td>106</td>
<td>2.53</td>
<td>.875</td>
</tr>
<tr>
<td>More than one suburb or town away (or no branches)</td>
<td>57</td>
<td>2.16</td>
<td>.702</td>
</tr>
</tbody>
</table>

N = 450

Furthermore, respondents who were from regional Victoria were significantly more likely to think that banks are meeting their social obligations than respondents from greater Melbourne ($t(448) = -2.707, p = 0.007$). All other independent variables showed no significant relationship to respondents’ beliefs: gender ($t(446) = 0.298, p = 0.766$), age ($F(3, 440) = 2.605, p = 0.051$) and main bank ($t(448) = 0.984, p = 0.326$).

8.2.8.3 Other Findings – Social Obligation Fulfilment and Overall Bank Trust

Testing of hypothesis 23 showed that consumers were more likely to believe that social obligations were not being met as well as they were in the past. Also testing has found that consumers were more likely to trust their main bank. Taking into account these two statements, the Social Obligation fulfilment data and the TrB scale were subjected to correlation testing using Pearson product-moment correlation.

The results of the bivariate Pearson product-moment correlation showed that there was a significant positive relationship between consumers belief that banks’ social obligations are being met and TrB ($r = 0.470, p < 0.001$). Thus, consumers’ beliefs in whether banks are meeting their social obligations are associated with overall consumer trust in banks.

8.3 Summary

Twenty out of the twenty-three research hypotheses tested in the analysis of the data were upheld (See Table 58).
### Table 58  Hypothesis Testing Results Summary

<table>
<thead>
<tr>
<th>Number</th>
<th>Hypothesis</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Banks and Businesses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesis 1</td>
<td>Consumers believe that a bank has a purpose beyond banking services.</td>
<td>Confirmed</td>
</tr>
<tr>
<td><strong>Banks and Social Obligations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesis 2</td>
<td>Consumers believe that banks have social obligations.</td>
<td>Confirmed</td>
</tr>
<tr>
<td><strong>Bank Branches and Local Community</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesis 3</td>
<td>Consumers believe that bank branches are important for the communities they serve.</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Hypothesis 4</td>
<td>Consumers believe that bank branches are important for the communities they serve in comparison to other services.</td>
<td>Confirmed*</td>
</tr>
<tr>
<td>Hypothesis 5</td>
<td>Consumers believe that physical branches are important.</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Hypothesis 6</td>
<td>Consumers do not use bank branch facilities as often as they use electronic facilities.</td>
<td>Confirmed</td>
</tr>
<tr>
<td><strong>Banks and Trust – Relationship Power Asymmetries</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesis 7</td>
<td>Consumers value their relationship with their bank.</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Hypothesis 8</td>
<td>Consumers do not believe that banks value their relationship with them as customers.</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Hypothesis 9</td>
<td>Consumers believe that their bank does not value them, as much as they value their bank.</td>
<td>Confirmed</td>
</tr>
<tr>
<td><strong>Banks and Trust – Physical Presence</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesis 10</td>
<td>Consumers are less likely to identify with their bank branch than with the banking entity as a whole</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Hypothesis 11</td>
<td>Community Bank customers are more likely to identify with the tangible attributes of their bank than non-Community Bank customers.</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Hypothesis 12</td>
<td>Consumers trust the physical branches of banks more than the Internet presence.</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Hypothesis 13</td>
<td>Consumers trust their bank branch’s management and staff.</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Hypothesis 14</td>
<td>Consumers are more likely to trust banks that have local physical bank branches.</td>
<td>Rejected</td>
</tr>
<tr>
<td><strong>Deinstitutionalisation and Banks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesis 15</td>
<td>Consumers believe that banks close down branches in small communities because they are unprofitable.</td>
<td>Inconclusive</td>
</tr>
<tr>
<td>Hypothesis 16</td>
<td>Consumers would prefer local availability of electronic banking services over local bank branch services.</td>
<td>Rejected</td>
</tr>
<tr>
<td>Hypothesis 17</td>
<td>Consumers would prefer to use Internet banking over bank branches.</td>
<td>Confirmed</td>
</tr>
<tr>
<td><strong>Deinstitutionalisation and Banks – Consumer Trust</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypothesis 18</td>
<td>Consumers believe that banks are less trustworthy than in the past.</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Hypothesis 19</td>
<td>Consumers believe that all the major banks are the same in terms of trustworthiness.</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Hypothesis 20</td>
<td>Consumers do not trust the major banks as much as smaller</td>
<td>Rejected</td>
</tr>
<tr>
<td>Number</td>
<td>Hypothesis</td>
<td>Result</td>
</tr>
<tr>
<td>-----------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td></td>
<td>banks and credit unions.</td>
<td></td>
</tr>
<tr>
<td>Hypothesis 21</td>
<td>Consumers trust Community Banks more than major banks.</td>
<td>Confirmed</td>
</tr>
<tr>
<td></td>
<td>* Some services were found to be more important than bank branches (See Section 8.2.3.2)</td>
<td></td>
</tr>
</tbody>
</table>

**Deinstitutionalisation and Banks – Social Obligations**

| Hypothesis 22   | Consumers believe that social obligations were met in the past.             | Confirmed |
| Hypothesis 23   | Consumers do not believe that banks currently meet their social obligations as well as in the past | Confirmed |

Further analysis of the survey data yielded results which show other significant relationships between the various scales and respondent variables. These were also included under each of the most relevant hypotheses throughout the chapter. The results presented in this chapter are discussed in detail in Chapter 9.
9.1 Introduction

This chapter reviews the results of the consumer survey presented in Chapter 8. The discussion presents the findings both as they support the current literature and also as they provide a point of departure from the literature. The discussion is structured using similar themes to those in the results chapter. However, the “banks and social obligations” theme and “deinstitutionalisation and banks – social obligations” have been combined. The six key discussion themes are: (1) banks and businesses, (2) banks and social obligations, (3) bank branches and local community, (4) banks and trust – relationship power asymmetries, (5) banks and trust – physical presence, (6) deinstitutionalisation and banks – consumer trust.

9.2 Banks and Businesses

Literature reviewed in Chapter 4 about the evolving role of financial institutions in Australia alluded to banks having a position in the minds of Australian consumers as being an entities which have more important or more distinctive institutional attributes than those of other conventional businesses. This was partly due to their assumed institutional status. Banks were historically seen to have
purpose in communities beyond their business or functional role. Bank branches in particular were believed to have a symbolism within the communities they served (Hawker et al. 1999; Lowe & Kuusisto 1999; Smailes 2000; Singh 1991). It was postulated that consumers would continue to believe that banks have an importance beyond their functional value in a community (H1). This was confirmed by the results of the consumer survey, with 69.5 percent of respondents agreeing that banks have a purpose beyond mere banking services.

Historically, banks have generally been seen to have a social role beyond their business role (Argent & Rolley 2001; Singh 1991). Hawker et al. (1999) went further, arguing that banks were, “pillars not only of the economic fabric of towns but of the social fabric as well” (p.29), also stating that bank branches are considered local institutions which represent for the local community “solidarity and prosperity” (p.29). The consumer survey results supported this, with 66.5 percent of respondents agreeing to some extent that a bank branch in a small town is the sign of a prosperous community. One respondent encapsulated the local bank branch and bank manager’s traditional role as “they know everybody in the community (almost!) and is the hub around which the local community revolves” (Respondent 0746, Male, 50, Regional Victoria).

Most pertinent to the line of inquiry on the role banks play beyond banking services were the unprompted responses given by respondents indicating why they believed that banks are different from regular businesses. A number of respondents identified the fact that banks are government licensed entities (see section 8.2.1.2), and therefore they were under an obligation to the community because of their protected and privileged position. This was succinctly phrased by one respondent:

They exist in a modern economy supported (underwritten) by the Federal Reserve. In a sense they are supported by the taxpayer and so should be regarded as a quasi public service entity with respect to all financial matters. (Respondent 1102: Male, 29, Regional Victoria)

The notion of government (RBA) regulation and “protection” was one of the more commonly recurring themes in written responses in the survey. Although acknowledged in the literature reviews, it was not anticipated that this would be a
significant factor for consumers in determining banks’ institutional status. Considering the responses given, this attribute could be given more prominence in the conceptual framework and a potentially worthwhile future line of inquiry.

Thomson and Abbott (2001: 69) observed “banks have traditionally been viewed as being special in that they provide services that underpin activity in the rest of the economy”. A number of responses to the questionnaire supported this notion of banks having a special significance (see section 8.2.1.2).

Many of the written responses obtained from the questionnaire overlap the other institutional attributes tested, particularly social obligations, physical presence, role in community and general bank behaviour. This was to be expected, because the question soliciting these written responses was broadly focused, seeking general further comment from respondents. Some of these responses are included in section 9.3. Overall the reviewed literature presented strong arguments about the social importance of banks at an intellectual and academic level, but the results of the consumer survey confirmed that most consumers perceive that banks are socially important.

One of the key purposes the banks have beyond the provision of banking services indicated by respondents was that banks potentially have community service and social obligations. These are discussed in the next section.

### 9.3 Social Obligations and Banks

Social and community involvement are often seen as ancillary roles of a business (Weerasooria & Bagaric 2001). Whether this social community involvement is something to be considered to be an obligation or merely a choice to be made by the respective business is open to debate.

Walrasian General Equilibrium Theory states there is no obligation owed to society by a business, because competition between economic entities optimises the allocation of resources in an economy (Walras 1954). Margaret Thatcher epitomised this view in her oft-quoted claim “there is no such thing as society” (e.g. Brittan 1995: 86; Cousins 1995: 1; Thatcher 1993). In effect, under this argument, business has no need for responsibility to society; indeed the notion is
“meaningless” (Cousins 1995: 1). This view of the role of business implies business only has a responsibility to its shareholders or to maximise profits.

The converse argument is that businesses do have social obligations, and is given by a number of intellectual traditions, ranging from Conservatism to such positions as European Christian Democracy and Democratic Socialism (Cousins 1995; Griffith 2000; Hawker et al. 1999). “It can also be seen in the desire of many businesses to be esteemed as socially responsible, expressed for example, in the adoption of codes of ethics and membership of service clubs” (Cousins 1995: 2). The counterargument that banks do have a social obligation is the general rejection of the belief that the Walrasian General Equilibrium theory can produce an economic optimum which makes social obligations unnecessary.

Weerasooria and Bagaric (2002) argued that there is no such thing as social obligations for banks, only moral obligations. These moral obligations are unclear, however an important one is the obligation to the shareholders. Other potential moral obligations to the community in their view should only be accepted if there is potential gain for shareholders (Weerasooria & Bagaric 2002). Much of the social involvement of banks (and business in general) is undertaken for business gains in terms of positive publicity, good public relations, and the ultimate objective to maximise profits.

One argument in support of community obligations is that “banking should be viewed as an essential service, akin to clean water, electricity and telecommunications” (Griffith 2000: 4). However, the Hawker et al.(1999) Australian Federal government report decided that “governments have a responsibility to ensure that all communities have access to essential services including financial services”, but that “they do not have this responsibility alone” (p.32); it is a shared responsibility.

Banks are more complex entities than conventional businesses. This complexity is partly owed to the government protection of banks (Thomson & Abbott 1999, 2001). However, Australian government regulation does not stipulate social obligations, unlike the United States’ Community Reinvestment Act (CRA) which requires banks to meet minimum service standards for the entire community.
(Griffith 2000). Australian banks’ obligations to community are not definitively stipulated.

Until now the consumer perceptions of the banks’ social obligations have largely remained unacknowledged and unmeasured in academia. A finding of this current study was that consumers believe that banks do have social obligations the community (H2) and, depending on how well they are met, this has a positive relationship to consumers’ trust in their banks.

Reviewing the consumer survey results, as postulated, consumers were found to be more likely to believe that bank branches have an obligation to the community (H2). This partly follows on from the reasons given by consumers as to why they believed that banks were different from other conventional businesses. This partly stems from the historical role a bank played in the community, where it was seen as one of the pillars of a small town. This is reflected by the large number of respondents who identified, without prompt, that the provision of local branch services (32.8% of respondents) was a social obligation of the banks (see Table 19). One respondent observed that banks’ social obligations are:

Good service, meeting place for local people. Provide financial information for the community and businesses. (Respondent 0083: Female, 46, Greater Melbourne)

This statement is also consistent with the confirmation of the first hypothesis, that consumers believe that banks have a purpose beyond the provision of banking services. When the level of usage of bank branches is considered (36.5 percent of respondents had not visited a bank branch in the preceding month and 29.9 percent had visited a branch – and possibly not a local branch once in the last month), the functional purpose of bank branches would appear to have been of lesser importance than other purposes. It is reasonable to conclude that the symbolism or social significance of having a bank branch in the community is an important factor.

Another commonly cited social obligation was that banks were obligated to support the local community (36.3% of respondents). These obligations went further than the provision of local branch services, with some responses declared
that banks were obligated to support local community organisations such as schools and social clubs (8.0% of respondents) and supporting local businesses (4.5% of respondents). At a broader level, 28.3 percent of respondents cited that banks should provide support services for various disadvantaged members of the community, including pensioners and the elderly (8.0%) and the financially disadvantaged (5.4%). Conversely, 6.1 percent of respondents stated that banks had no social obligations.

Considering the significant support for banks having social obligations, it is worthwhile to note that 74.4 percent of respondents believed that it was important or very important for banks to meet these social obligations (9.1 percent believed that it was or not very or not at all important). This confirms that consumers are generally of the belief that banks meeting their social obligations, particularly bank branch access, supporting local community organisations and supporting the broader community’s disadvantaged, is of considerable importance. It is appropriate to reflect upon this when reviewing the results for how consumers perceive banks are meeting these social obligations in the following section.

9.3.1 Deinstitutionalisation and Banks – Social Obligations

Considering the broad consumer support for the notion that banks have social obligations to the community, it was important to see whether consumers believed that banks were fulfilling these social obligations. In recent decades, banks have been widely criticised by the media, government and other community organisations for their lack of consideration of notional social obligations (Cousins 1995; Griffith 2000; Weerasooria & Bagaric 2002).

This apparent change in priorities was evident to consumers. The survey results showed that consumers largely believe that, although banks met their social obligations in the past, they are not meeting them presently (H22 and H23). Respondents were more likely to believe that banks had met their social obligations ten years ago, with 47.0 percent of respondents answering in the affirmative (as opposed to 15.8% responding negatively). This contrasts with 12.2 percent of respondents believing that banks were meeting their social obligations presently and 50.9 percent of respondents believing that banks were meeting these
social obligations poorly or very poorly. One respondent was particularly scathing
in his summation of this perceived change:

In an economic rationalist, shareholder economy, the big banks are exhibiting a
callous disrespect for the little people and only caring about the profits for
shareholders, hurting communities by sacking staff, charging high fees, and
closing branches... (Respondent 0244: Male, 28, Greater Melbourne)

This comment is indicative of a number of respondents who commented on
banks’ social obligations in the optional, open, final question of the consumer
survey. “Economic rationalisation is an excuse for ignoring many social
obligations” (Respondent 1475: Male, 82, Regional Victoria). In contrast, one
respondent had a humorous view on banks and social obligations:

[A] Bank is a business that must provide a good return for its shareholders.
Social issues are for the rats in Canberra [Australia’s Federal capital city] to deal
with and not banks. (Respondent 0168: Male, 52, Greater Melbourne)

When reflecting upon the results that relate to questions concerning social
obligation, recognition should be given to the fact that this was not a longitudinal
study. The respondents were asked whether they believed that their bank fulfilled
their social obligations better or worse than they had ten years ago. The method
used facilitates the measurement of consumers’ perceptions of whether banks’
social obligation fulfilment has changed over time, rather than whether
consumers’ perceptions of banks’ social obligation fulfilment has changed over
time.

Overall, the most important of the findings relating to banks’ social obligation
fulfilment was that there is a significant positive correlation found between
respondents’ beliefs that their banks are fulfilling their social obligations and the
level of trust they (the consumers) had in their bank (see section 8.2.8.3). Consumers who believed that their bank was meeting their social obligations were
more likely to trust their bank, which supports the proposed conceptual
framework.

The next section reviews the results relating to consumers’ beliefs about the roles
of bank branches in their local community.
9.4 Bank Branches and Local Community

Given the number of respondents who believed that banks have a social obligation to provide local bank branches, it is consistent that survey results showed that consumers were significantly more likely to believe that bank branches are important for the communities they serve (H$_3$). Likewise, consumers were more likely to believe that bank branches were important for themselves (H$_3$).

This also reflects the literature reviewed about the historical social significance of bank branches in communities (Singh 1991). Again, there is the apparent dichotomy in the perceived importance of the bank and the actual usage by consumers, consistent with what was postulated in Chapter 6. There is a formidable division found from responses between the symbolic and functional importance of a bank branch in communities.

When comparing bank branches with other common services, it was postulated that banks have a similar standing to other social institutions including police stations and schools. This was by and large confirmed in the testing of Hypothesis 4, where consumers were found to be significantly more likely to believe that bank branches are important for the communities they serve, than ATMs, milk bars and convenience stores, newsagents and pubs and hotels. However consumers were significantly less likely to believe that bank branches were important for the community than chemists, post offices, supermarkets, schools and police stations.

Each of the five services found to be more important than bank branches to local communities by consumers have important functional roles providing mostly essential or primary services. Chemists dispense medication for health, post offices facilitate communications, supermarkets sell food, schools provide education and police uphold the law and can offer a sense of security. These services largely fulfil more basic and important physiological and safety needs (Maslow 1970). The other four services which ranked below banks in terms of importance provided services which may be classed as less essential; newsagents and milk bars/convenience stores are retail merchants (largely superfluous when a supermarket is present) and pubs and hotels are places for social gatherings for some segments of the community. ATMs, although they provide access to money,
can be rendered superfluous when a bank branch is present. Some of these services fulfil more social needs (Maslow 1970) at an individual level.

Consumers’ general preference for bank branches in their community is again consistent with the general consumer preference results discussed in section 9.7. Results of the testing of Hypothesis 16 showed that consumers were more likely to prefer the availability of bank branch services over electronic services, thus rejecting the hypothesis that consumers prefer electronic banking facilities over bank branches.

However, tests of Hypothesis 5 showed that consumers’ do not use conventional branch services as often as they use electronic services. Consumers’ branch usage rates may reflect a lack of ready access to a branch (36.8% of respondents did not have a branch of their main bank in their town or suburb, 14.5% of respondents did not have any bank branches in their town; nearest branch proximity was found to be a significant factor influencing usage), inadequate operating hours of their bank (2.2% of respondents indicated [unsolicited] that flexible hours were needed), or inefficient dealings or poor service experiences in existing branches.

Regional Victorian consumers are significantly more likely to believe that bank branches, milk bars and convenience stores, police stations, pubs and hotels, and schools were important for their communities. This appears to reflect the greater isolation in regional communities (Argent & Rolley 2000). For instance, if there was not one of these services available in a suburban Melbourne consumer’s local community, it is unlikely that they would have to travel far to find an alternative. In contrast, if the service is not available in a regional Victorian town, there is a greater likelihood that the consumer would have to travel greater distances to seek a suitable alternative. Likewise there is the possibility that the symbolism of having some of these services is more powerful for the regional communities.

Consistent with the greater importance placed on bank branches in regional communities was the finding that consumers from regional Victoria were significantly more likely to visit a branch than counterparts from greater Melbourne. Considering the greatest impact of branch rationalisation in the last two decades has been in rural and regional areas (Argent & Rolley 2000; Beal &
Ralston 1998; Hawker et al. 1999; Ralston & Beal 2000; Smailes 2000), this difference emerges as more salient.

### 9.5 Banks and Trust – Relationship Power Asymmetries

There is ample marketing literature which explores relationship power asymmetries (and buyer-seller interdependence) in business-to-consumer relationships and its implications for consumer trust (Anderson & Weitz 1989; Buchanan 1992; Ganesan 1994; Kumar et al 1995). In this study, the purpose of this line of exploration was largely to confirm that these were translated to the bank-to-consumer relationship. The bank-to-consumer relationship is complex in that the relationships exist long term over many transactions. Furthermore, bank-to-consumer relationships can sometimes be under “hostage” conditions, where the consumer is dependent on the supplier and it is difficult for them to switch suppliers (Colgate & Lang 2001; Colwell & Hogarth-Scott 2004; Jones et al. 2002).

The results of the hypotheses testing were consistent with existing research in this regard. Consumers were significantly more likely to value their relationship with their bank ($H_7$); Consumers were significantly more likely to believe that the banks do not value them as customers ($H_8$) and that they believe that their relationship with their bank is not valued by the bank as much as by them ($H_9$).

Most importantly with this line of inquiry was the relationship between bank-to-consumer relationship power asymmetries and consumer trust. Again, consistent with existing marketing literature for conventional businesses, there was a significant positive correlation found between both concepts in the banking context. Therefore, consumers who believe that they are valued and are important to their bank are more likely to trust their bank.
9.6 Banks and Trust – Physical Presence

9.6.1 Consumer Identification with their Bank

One key contention of earlier chapters was the notion that, more recently, major banks in Australia have focused their marketing efforts on a national level, centring their marketing activities (particularly communications) on the bank’s brands and their various products. The marketing communications are by and large controlled by the major banks’ head offices. By contrast Bendigo Bank’s Community Bank scheme’s marketing activities are focused largely on the bank branches and services it offers to customers and communities. A graphic depiction of the marketing communications models of both types of banks, as was proposed in Chapter 5, is shown in Figure 28. According to the research undertaken in the preliminary study, much of the Community Banks’ marketing communications occurs at the micro level with each individual branch’s marketing communications tailored to individual communities. However much of these communications were in accordance to the philosophy and guidelines set by Bendigo Bank’s head office. The key distinction was that bank communications from the Community Bank scheme appeared to emanate from the individual bank branches, whereas the major banks communications appeared to come from the head office.
It was postulated that, because the communications models used by these banks were different, consumers would identify with their bank differently depending on their type of main bank. This was supported by the results of the consumer survey. It showed that consumers whose main bank was the Bendigo Bank or a Bendigo Bank Community Bank were more likely to identify with the tangible attributes of their bank, in most cases their bank branch, than non-Community Bank customers ($H_{11}$). This was also anticipated because the Community Bank model involves local community and individual involvement in the bank branch establishment process. Conversely, non-Community Bank customers, or more specifically major bank customers, were more likely to identify with the intangible attributes of their bank, in most cases the banks’ brand or bank logo. This is in line with the major banks marketing communications strategies, where the bank brand and logo are omnipresent and ubiquitous.

Taking a broad view of all bank customers, the consumer survey found that customers overall are less likely to identify with their bank branch than with the banking entity, brand or logo ($H_{10}$). This means that consumers are more likely to
identify with the intangible attributes of their bank. This is consistent with the research presented in Chapter 4, where it was noted that consumers’ banking behaviour had changed over time and also that banks had begun offering a broader range of facilities. Furthermore, the number of bank branches in Australia had diminished overall, but most notably of the major banks. Also contributing to the overall greater likelihood for bank customers to identify with the tangible attributes of their bank is the sheer volume of major bank customers in Australia, 82.9 percent of respondents and 62.7 percent of Australians consider their primary bank to be a major bank (Wallis et al. 1997). Major bank customers were found to be more likely to identify with the intangible features of their main bank; therefore this would have influenced the overall result.

Likewise it must be noted that the reason that consumers identified with their bank could not be solely explained by the communications. Other factors which impact on whether a consumer identifies with the tangible or intangible attributes is the way the consumer interacts with their bank and nearest bank branch proximity. This was partially reflected in the results of the consumer survey. Although there was no significant relationship between how consumers identify with their bank and nearest bank branch proximity, the proximity measurement was only taken between consumers’ homes and consumers’ nearest bank branches. Considering that 42.5 percent of respondents indicated that they work in a suburb or town outside the one they live in, it is reasonable to assume that these respondents may more regularly use banking facilities close to their workplace. This would mean that having a bank branch in their home suburb or town is not so important compared to a person who works and lives in the same suburb or town, or somebody who is not in paid employment.

Consistent with the segmentation model presented in Chapter 3 (Holstius & Kaynak 1995; Kaynak & Whiteley 1999), regional Victorian bank customers (who are more likely to be security oriented) were found to be more likely to identify with the tangible attributes of their bank than greater Melbourne bank customers. This is consistent with the consumer profile of security oriented customers, and is reflected by this customer’s preference for their bank and bank’s employees appearing “conservative and traditional” (Holstius & Kaynak 1995: 11; Kaynak & Whiteley 1999: 222). Likewise, Kaynak and Whitely (1999)
contended that bank customers were more likely to be security-oriented, and that they generally use banks in “local areas” (Holstius & Kaynak 1995: 11). Therefore, the presence of a local branch and facilities is likely to be important for these customers. It is consistent that these customers are more likely to identify with their bank branch, as they are more likely to have used these local facilities.

One of the more stark results was that older consumers were significantly more likely to identify with the tangible attributes of their bank than younger consumers. Older customers were significantly more likely to identify with their banks branches (or staff) as was clearly shown in Figure 24. Younger consumers were more likely to identify with the non-tangible attributes of their bank.

This again appears congruous with the Holstius and Kaynak (1995) and Kaynak and Whiteley (1999) models: security-oriented customers prefer local banks (Holstius & Kaynak 1995), and older customers (consumer survey) were significantly more likely to believe that local bank branches were important. These older customers were also significantly more likely to identify with the tangible attributes of their bank.

Likewise, younger consumers were more likely to identify with intangible attributes of their bank. They were also significantly less likely to believe that local bank branches were important. Holstius and Kaynak’s (1995) and Kaynak and Whiteley’s (1999) model contended that task-oriented customers were more concerned with speed and efficiency of transactions and preferred banks with nationwide availability. These similar traits were found in younger respondents in the consumer survey. It is also consistent that these younger customers rated the importance of the bank branch lower than older customers, whereas efficiency and availability of services were at the forefront (rated higher than for older customers).

9.6.2 Trust and Consumer Identification with their Bank

According to Singh (2004: 504), “face-to-face interaction continues to be central for institutional trust”. Much of the marketing based consumer trust literature reviewed supported this view. Likewise interpersonal trust literature (psychology) spoke of the importance of interpersonal relationships in building trust (Duck
It was therefore postulated that there would be a relationship between a consumer’s trust in their bank’s staff and management and their trust in their bank. Consumers were found to be significantly more likely to trust their bank branch’s management and staff ($H_{13}$), with 74.5 percent of respondents agreeing to some extent that they trusted their bank’s staff and management.

Since a bank’s management and staff are components of a bank branch service experience, they were postulated to be important antecedents in the consumer trust development process. This was confirmed when there was a significant correlation found between the consumers’ trust in their main bank’s staff and management and their level of trust in their bank overall. When transacting or just visiting a bank branch, the bank branch management and staff are the only people that the consumers interact with on a face-to-face basis. It is therefore consistent that trust relationships with bank staff and management are related to trust in the bank overall.

### 9.6.3 Trust and Electronic Banking

Looking further at the service components of banks, some literature reviewed contended that “tangibility” of services can be a potential antecedent of consumer trust (Devlin 2000; Lowe & Kuusisto 1999; Seiders & Berry 1998). In this study, tangibility has been treated as tangible assets (bank branches, branch staff and ATMs) as opposed to physical evidence (bank account statements, ATMs and sales receipts).

Most banks operate in both tangible service forms, such as bank branches and ATMs, and intangible service forms, such as EFTPOS, Internet banking and telephone banking. When looking at the results of the consumer survey, most respondents indicated that their main bank has some bank branches (98.1%) and ATMs (96.8%). Also most respondents indicated that their main bank had some intangible service components: EFTPOS facilities (95.7%), telephone banking (93.4%) and Internet banking (86.3%). Therefore most banking services had both tangible and intangible elements. Parker (2000), and later Dubelaar, Jevons and Parker (2003), when comparing retailers that operated physical stores and online
stores with retailers which operated only online, found that there was a significant difference in the level of consumer trust in these retailers. Consumers were more likely to trust retailers that operated both online and physical stores. It can be reasonably assumed that this also occurs with banking services. Consumers are anticipated to be more trusting of banks that operate both physical and electronic services (tangible and intangible) than banks that operate only electronic services (intangible).

It was consequently postulated that consumers would trust the physical branches of banks rather than the Internet presence (H12). This was confirmed by the consumer survey, where consumers were found to be significantly more likely to trust branch services. Moreover, 41.0 percent of respondents agreed to some extent that they would not trust their bank if it did not have bank branches (31.3% disagreed). These results are poignant considering the current trend in the banking industry is to reduce bank branches as it appears there is an important connection between the bank branch and trust. Whether this trust bank branch is translated to the electronic services requires further research.

Although consumers are less likely to trust Internet banking, consumers were found (as postulated) to be more likely to prefer to use Internet banking over bank branches (H17). These results were achieved from respondents who had had used the Internet banking in the last month (31.2% of respondents) However of these respondents who had used Internet banking, 80.1 percent preferred Internet banking over regular branch services (9.6% did not prefer Internet services). Moreover, the majority (76.7%) of respondents believed that Internet banking could not entirely replace bank branches. Likewise, taking all responses into account 85.6 percent of respondents disagreed to some extent with the statement “I would not care if my bank did not have branches” (8.7% agreed).

Consumers were found not to prefer local availability of electronic banking services over local bank branch services (H16), as had been postulated. Rather, the opposite was found, consumers preferred the availability of a local bank branch over ATMs and other banking. This was even though consumers were clearly more likely to be using the electronic facilities (see section 8.2.3.4). The confirmation of hypotheses 16 and 17 lends weight to the argument that the bank
branch has a more important symbolic value than a functional value because, although consumers preferred Internet services, and were more likely to use electronic services, they still felt the bank branch was important.

Looking further, but considering already obtained results, particularly the confirmation of hypothesis 12 (consumers trust the physical branches of banks more than the Internet presence), it was postulated that there would be a correlation between nearest bank branch proximity and the level of consumer trust ($H_{14}$). However, there was found to be no significant relationship between the level of trust consumers imbued in their bank and the proximity of their nearest bank branch to their home and local community. Specifically, consumers who had a bank branch located in their suburb or town were not more likely to trust their bank than consumers who did not have a bank branch in their suburb or town. Upon further reflection, this may be because of the non branch centric approach to marketing used by the major banks who deal with the majority of the respondents. As earlier findings show, consumers were more likely to identify with their bank’s brand rather than the tangible attributes of their bank.

Finally, the result for testing of Hypothesis 15 was not significant. A similar number of respondents believed that banks close down branches in small communities because they are unprofitable (29.2%) as believed that branches were closed down for other reasons (30.2%) (40.6% of respondents were unsure). Also, this analysis could not be tested for reliability or validity, and therefore was deemed inconclusive.

9.7 Deinstitutionalisation and Banks – Consumer Trust

With the aforementioned deinstitutionalisation trends in the Australian banking industry, it was postulated that consumers would believe that banks were less trustworthy than in the past ($H_{18}$). Branch closures (Argent & Rolley 2000; Australian Prudential Regulation Authority 2004; Kaynak & Whiteley 1999; Reserve Bank of Australia 2004; Wallis et al. 1997), centrally controlled banking communications (see Chapter 5), a reduction in community focus (Hawker et al 1999; Lowe & Kuusisto 1999; Singh 1991, 2001) and diminished focus on social
obligations (Cousins et al. 1995) were all forecasted to have had some impact on consumers’ level of trust in their banks.

The consumer survey asked respondents to indicate whether they believed that their level of trust in their bank had changed over time. The results revealed that consumers believed that banks are less trustworthy than in the past (H18). The survey instrument sought an overall trust change score from respondents, but is unable to definitively attribute this level of trust to the identified denationalisation factors as it did not ask respondents why their level of trust had or had not changed over time. However, each of the identified individual deinstitutionalisation factors were each found to be significantly correlated to the overall level of consumer trust in their banks (TrB) presenting a strong case for the deinstitutionalisation factors having some influence of perceived lesser trustworthiness of banks.

Older respondents had been found to have a significantly higher level of trust in their bank that younger consumers, with respondents who were aged 65 and over having significantly higher levels trust their bank than all other age categories. Furthermore, consumers from this age category were significantly less likely to believe that the banks trustworthiness had diminished over time. This may mean that younger respondents are overall less trusting of their bank or possibly “rosy retrospection” (Mitchell & Thompson 1994; Mitchell et al. 1997) or a time-distorted perception of the past trustworthiness of banks. Conversely, the higher level of trust in banks by older consumers, and the corresponding lesser likelihood to believe that trust had changed over time, may mean that these respondents are resigned to a continuity of trustworthiness of their bank.

Considering the similar marketing strategies adopted by the four major banks, particularly in terms of brand focus in communications (see section 9.6.1) and branch reductions (See Chapter 4), it was postulated that consumers would believe that all the major banks are the same in terms of trustworthiness (H19). The results confirmed this, showing no significant differences in consumer trust across all four banks. However, more salient results were found when comparing consumer trust between major bank customers and smaller bank customers, and major bank customers and credit union customers.
When comparing the consumers perceptions of the trustworthiness of various types of banks, major banks, smaller banks and credit unions, it was postulated that major bank customers would not trust their banks as much as did customers of smaller banks and credit unions ($H_{20}$). This was because major banks had been reducing their bank branch networks over recent years (Cousins et al. 1995; Reserve Bank of Australia 2004; Wallis et al. 1997), also because of their brand-centric, micro-nodal approach to marketing (see section 9.6.1). However the consumer survey revealed that there was no significant difference in levels of trust between major bank and smaller bank customers or major bank and credit union customers.

Upon further reflection, this lack of difference in consumer trust between the various banks might be partly explained by the proximity of nearest branches for each type of bank and also the way consumers identify with the various types of financial institutions. For the majority of smaller bank customers (75.0%) and credit union customers (60.5%) their nearest bank branch was more than one suburb or town away, whereas the majority of major bank customers (68.8%) had a bank branch in their suburb or town. This is also poignant when considering that there was no significant difference between major bank, smaller bank and credit union customers on whether they were more or less likely to identify with the tangible or intangible attributes of their bank.

Finally, it was postulated that consumers trust Community Banks more than the major banks ($H_{21}$). This proposition was based on the fact that Bendigo Bank had been advancing their institutional attributes by increasing their branch network (most notably in small and rural communities) (Reserve Bank of Australia 2004), and by fulfilling their social obligations (as defined by the results associated with the testing of hypothesis 2, section 8.2.2.1). They were promoting (and matching) their community focus (see Chapter 5), and also as part of their marketing focus giving prominence to the branch as having a central role in the bank-to-consumer relationship. The results from hypothesis testing revealed that Bendigo Bank customers (and Community Bank customers) were significantly more likely to believe that their bank values them as customers than customers of all other institutions, a factor that has significant bearing on consumer trust.
This result was poignant because not only were consumers who had accounts with Community Banks more likely to believe that Community Banks were more trustworthy but also major bank customers believed that Community Banks were more trustworthy. Again, an apparent dichotomy between the perceptions and actions of the respondents was evident. Although consumers are more likely to believe that Community Banks are more trustworthy than other banks, most consumers don’t bank with them. This suggests that there are other factors at play such as “hostage” type relationships with their existing banks (Colwell & Hogarth-Scott 2004) or high switching costs (Colgate & Lang 2001; Colwell & Hogarth-Scott 2004; Cousins et al. 1995; Jones et al. 2002; Office of Regulation Review 1995).

9.8 Reflecting on the Conceptual Framework
The research hypotheses largely confirmed the conceptual framework. The links between all institutional factors and institution-based trust were confirmed. Local community focus, power symmetry, local bank branches and social obligation fulfilment are related to institution-based trust. There have been some minor revisions made, with the inclusion of “Government Protection and Regulation” as tentative factor of consumers’ perception of a banks institutional stature (see Figure 29). This factor alongside “Other non-business attributes” has been included inside broken lines because both have not been subjected to quantitative testing. Figure 29 shows the revised conceptual framework.
The relationship between local bank branches and local community focus was confirmed; however proximity of the nearest branch was not in itself found to be a precursor to institutional stature and trust.

Social obligation fulfilment by a consumer’s bank was found to be related to a consumer’s propensity to trust in their bank. Most of the social obligations indicated by respondents show some linkage back to bank branches and the local communities they serve. This again gives weight to the notion that there is a linkage between the perceived social obligations of banks and local community focus, with the most common response being that respondents believed that bank branches were important for communities.

When looking at the asymmetrical power relationship between bank and customer, other research that was reviewed in Chapter 2 had already confirmed a relationship between perceived relationship power asymmetries (or low buyer-
seller interdependence) and the reduction or consumer trust. This study confirmed this, but within the confines of the bank-to-consumer relationship.

The results of the consumer survey did not show a significant link to local branches and institutional trust. However, there was a relationship found between local bank branches and local community involvement, and community involvement was found to have a significant positive relationship to consumer trust. Therefore the link between “local bank branches” and “local community focus” was maintained, but the link between “local bank branches” and “institutional stature” was deleted.

9.9 Limitations

There were four key limitations to the research methodology used in this research. Firstly, the surveying process was able to give a snapshot of how consumers perceive their relationship with their bank now and how they perceived this had changed over time. Ideally a survey seeking information such as this would be longitudinally based with separate surveys taken at different points in time so that past results could be compared with present results. This would be particularly useful to confirm aspects of the deinstitutionalisation process and its impact on consumers over time. Due to time and budgetary constraints the survey had to be constrained to one questionnaire. However, the questionnaire used was able to measure adequately how consumers felt their relationship had changed over time which enabled a comparison of what respondents believed now and whether they felt that their beliefs in the past were different. Consumers’ recollections of past service experiences and past beliefs may be clouded or in some cases rosily viewed (Mitchell & Thompson 1994; Mitchell et al. 1997). This must be recognised when evaluating results which compare past and present beliefs and experiences.

Secondly, as identified in the methodology chapter (see section 5.2.2), the behaviour of respondents was not able to be measured first hand, rather the questionnaire required respondents to indicate their own behaviour. This can lead to some respondent error (Malhotra et al. 1996), because respondents may misinterpret the question or may not be able to recall their behaviour as required.
To minimise this respondent error, respondents were given broad categories to select from when recording past behaviour. For instance, when consumer were asked how often in the last month they had used various banking facilities, they were given broad options, such as “1-3 times in the last month”, “4-6 times in the last month”, through to “10+ times in the last month”.

Thirdly, the consumer survey relied on previously untested scales. This is because the area of research is unique and there being no widely accepted consumer trust scale. A number of marketing scales references were consulted (e.g. Bearden & Netemeyer 1999; Bruner & Hensel 1992) but none showed an adequate trust scale suitable for the line of inquiry. To counteract this, the scales developed were tested for reliability and validity. All scales used in the research yielded acceptable reliability and validity scores during testing, unless otherwise specified.

Fourthly, the consumer surveying process was restricted to the state of Victoria, rather than a banking population from across the whole of Australia. This was again due to time and budgetary constraints. An acceptable cross-section of respondents was captured in the surveying process, with a relatively representative sample of the people of the state of Victoria captured. It must be noted, as stated in Chapter 1, that the state of Victoria has the greatest population density of all Australian states and territories. The state of Victoria has no towns classified as very remote (see Appendix B). Also, Victoria has a greater proportion of residents located in inner regional cities and major cities (i.e. Melbourne) (see Table 1). This is likely to impact on results particularly when respondents from greater Melbourne and regional Victoria are compared. Where discrepancies exist in beliefs dependent on location of respondents, it is likely that these discrepancies would be more pronounced for the rest of Australia because of the greater range of remoteness categories Australia wide (Australian Bureau of Statistics 2004b).

9.10 Summary
This chapter has presented the discussion resulting from the results of the consumer survey undertaken. It also broached the known limitations of the
research methods used. The next chapter presents the conclusions as they respond to the research questions and implications of the research for banking practice.
Conclusions and Implications

10.1 Overview
This chapter presents the conclusions and implications of the research undertaken in this study. The key findings are summarised first and then the responses to the research questions are summarised. The chapter concludes with some final recommendations for future research.

10.2 Key Findings
The key findings from the study were as follows:

- Institutional attributes including banks’ social obligation fulfilment, local community focus, provision of branch services and power-symmetry are significantly correlated to consumer trust.
- Consumers widely believe that banks have social obligations to the community, that they are important, and that they are not being met as well as they were in the past.
- Consumers believe that bank branches are important for the community and for themselves.
• Consumers do not believe that they are valued by their banks as much as they value their banks.

• Consumer trust in bank branch staff and management is significantly correlated to overall consumer trust in their banks.

• Consumers believe that banks are less trustworthy than they were in the past.

• Older customers are more trusting of the banks than younger customers.

• Consumers believe that Community Banks are more trustworthy than the other banks.

• Consumers believe that branch services are generally more trustworthy than electronic services.

• Bank customers use more regularly and prefer to use the electronic services provided by their bank rather than branch services.

• Customers, particularly younger customers, are more likely to identify with the brand or intangible attributes of their banks than tangible attributes including bank branches and staff.

10.3 Implications for Research Questions
Throughout the entire dissertation five research questions have been referred to and formed the basis of the study’s structure. These research questions were in turn expanded into the 23 research hypotheses and the conceptual framework which was investigated in the consumer survey and associated results. Responses to the five research questions are now presented:

10.3.1 Are bank branches necessary antecedents of consumer trust in a retail banking entity?
The results of the consumer survey largely supported the reviewed marketing literature, which show a link between physical presence and trust (Dabholkar 1994; Devlin 2000; Seiders & Berry 1998). Although location, specifically proximity to nearest bank branch was not significantly related to overall consumer trust, consumers believe that bank branches are important for them and their community. Furthermore, respondents stated that they would be less likely to trust their bank if it did not have branches. The proximity of the bank branch to
consumers’ homes appeared to be less important in establishing consumer trust than the mere possibility of having reasonable access to bank branches.

This may be partly reflective of an increasingly more mobile population (Smailes 2000), more willing (and able) to travel distances for specialist services. In fact, 42.5 percent of survey respondents indicated that they did not work in the same suburb or town in which they lived, meaning some respondents could potentially get branch services near their workplace. This may have an impact of reducing the functional importance of a local (to home) branch.

The functional importance of bank branches for day-to-day transactions is less than the symbolic importance. The survey results showed, as is widely accepted, that consumers were using electronic banking alternatives more regularly than the conventional branch services. Bank branches were found to be most popular for the purpose of making banking enquiries or more complex transactions. The general consumer preference for the use of electronic services was also higher than conventional services. However, the survey results show that bank branches are preferred over ATMs in their communities. Alongside the results showing that consumers think that banks are important for their communities, it can be concluded that bank branches are perceived to have an important role to play in local communities.

Consumers were overall less likely to identify their local branch as their bank, rather recognising more intangible attributes such as their banks’ logo and website. This is consistent with most of the banks’ marketing emphasis on the brand and also the consumers’ greater reliance on electronic services. Whether consumers were more likely to identify with the banks’ tangible elements or intangible elements had no significant bearing on their level of trust.

On balance, although a direct link cannot be made between bank branch proximity and consumer trust, the ready availability of bank branches does have a strong correlation with consumer trust in their banks. Local bank branch provision can show that a bank has community focus and therefore has an indirect link to consumer trust. Community focus was found to be significantly correlated with consumer trust. However, it should be noted that these assertions are based on a
survey that measured consumers’ relationships with only their main or day-to-day banks. By design, this survey was less likely to encompass consumers’ relationships with other secondary banks such as investment banks and savings banks.

10.3.2 What are consumers’ perceptions of the social roles of banks and bank branches?

Regardless of whether banks have or don’t have community and social obligations, the survey results showed that consumers were of the broader belief that banks do have a social obligation to communities. Furthermore, banks’ perceived social obligation fulfilment has a significant correlation to consumer trust.

The key social roles that were most commonly cited by respondents were that banks should support the local community and local community organisations, provide reasonable local bank branch and face-to-face services, and support services for the disadvantaged. There were a smaller number of respondents who stated that they believed that banks had no social obligations and a small number who stated that banks have a basic utility role. The most commonly cited reason that consumers believed that banks have social obligations was the perceived level of government protection and also because the use of banks and bank accounts was virtually unavoidable in modern society. Because of these differences and their historical esteem in society, it was believed that banks had a social responsibility greater than that of other conventional businesses.

Consumers believed that banks were not fulfilling their social obligations (as defined by individual respondents) as well as they were in the past. This was also positively correlated with the perceived reduction in trustworthiness in banks over time. Likewise, it is also consistent with the proposed deinstitutionalisation model, which stated that the perceived reduction in social obligation fulfilment was a factor of deinstitutionalisation.
10.3.3 Have consumers’ perceptions of the obligations of the bank evolved with the banks’ new technology?

As banks have gradually moved their services from purely bank branch services operating from a community level through to increasingly more automated electronic services, the consumer perceptions of banks have changed. The way consumers interact with their bank may have also adjusted with fewer instances of human service delivery and greater fragmentation of service delivery (Joseph et al. 1999; Lowe & Kuusisto 1999). The concept of the local branch for consumers as their key point of contact with their bank has by and large become obsolete. As a consequence of this, the way that consumers identify with their bank is likely to change. Presently, consumers are significantly more likely to identify with their bank’s brand and website than they are of the bank’s branches, branch staff and management. This was particularly evident in younger consumers, who were also more likely to be using electronic services more regularly.

This increasing reliance on technology in combination with competition stimulated by a deregulated banking industry has seen some degree of empowerment of consumers (Dabholkar 1994; Joseph et al. 1999; Wallis et al. 1997). Nevertheless, increasingly consumers are feeling hostage to their bank (Colwell & Hogarth Scott 2004) partly because of high switching costs (Colgate & Lang 2001; Colwell & Hogarth-Scott 2004; Cousins et al. 1995; Jones et al. 2002; Office of Regulation Review 1995) which make it more difficult and less desirable to switch banks. The consumer survey results revealed that consumers were significantly more likely to believe that their banks did not value them as customers as much as they valued the bank. Also there was a significant correlation found between these factors and consumer trust, with consumers who felt that they weren’t valued by their bank significantly less likely to trust their banks.

Likewise as stated earlier, the consumer survey found that consumers were significantly more likely to trust bank branch transactions over Internet banking transactions and were less likely to trust their bank if it had few or no bank branches. This highlights the need for banks to maintain reasonable availability of branch services in order to maintain levels of consumer trust.
10.3.4 Is institutional stature a determinant of consumers’ ability to trust the entire banking entity?

Three of the four main institutional stature attributes tested in this study showed significant correlation with consumer trust in their banks. These were perceived social obligation fulfilment, relationship power symmetry and local community focus. The final factor, local bank branch provision, did not have a direct relationship with consumer trust in their bank; however, the bank branch was found to be an important part of the community (and local community focus was found to be an antecedent to consumer trust).

Results of the consumer survey showed that consumers believe that their level of trust in their banks has diminished over time. This coincides with the widespread deinstitutionalisation process occurring in the Australian retail banking sector.

Trust was determined in Chapter 2 (section 2.2.3) to be a multidimensional psychological state (Kramer 1999) with the consumer trust construct made up of rational, irrational and arational components. It would therefore be presumptuous to state that institutional factors were the sole contributor to this overall decrease in consumer trust. Other potential contributors to diminishing consumer trust were not measured in the survey and were beyond the scope of this study. Therefore issues including individual experiences with trustworthy and untrustworthy behaviour from banks and consumer knowledge of trustworthy or untrustworthy behaviour of banks were not documented beyond the scope of the institutional attributes.

When summing up the results pertaining to the study’s counter-example, Bendigo Bank’s Community Banking scheme appears to have tapped into the institutional attributes that consumers had ascribed to banks in the past. A combination of expanding branch networks into unbranched communities, community involvement in the establishment of branch services and marketing strategies aimed at individual communities have had a positive impact on consumer perceptions of the bank brand. In turn, Bendigo Bank and Community Bank customers were significantly more likely to trust their bank than other financial instructions. Likewise, non-Community Bank customers were also more likely to believe that Community Banks were more trustworthy than other banks. Again,
although the institutional attributes did have a significant positive correlation to consumer trust, it is also likely that other non-institutional factors are at play, such as individual transaction experiences or consumer-to-consumer trust transferral (reputation), although these were not tested here.

10.3.5 Does institutional stature affect consumers’ ability to trust banks in an electronic environment?

Chapter 2 (section 2.2.3) noted that banks were hyper-complex entities with both human and non-human elements, physical and non-physical symbolism, and visible and non-visible systems and elements. It is therefore likely that consumer trust in individual elements of a bank would influence consumers’ trust in other elements of a bank.

Results from the survey confirmed that banks’ online presences were seen to be more trustworthy if the bank also had physical branches. Consumers were significantly more likely not to trust their bank if it did not have branches. However, trust of Internet banking services was not as high as for branch services, as a significant number of respondents were found to believe that bank branch services were more trustworthy than Internet banking services.

More thorough research needs to be undertaken to test for a link between trust in bank branches and trust in other electronic facilities including ATMs, EFTPOS and phone banking.

10.4 Implications for the Australian Retail Banking Industry

Four recommendations for Australian retail banks have been devised based upon the findings of the research.

10.4.1 Maintenance of Some Bank Branch Services

Bank branches are not the preferred means for most consumers to transact with their banks, nor the most used. Likewise, bank branches are held not to be the ideal method of service delivery for a cost and efficiency-conscious banking sector operating in a competitive and deregulated environment (Cousins 1995). However, in terms of maintaining consumer trust, banks would be wise to
maintain some branch services (not just Internet and other electronic services). Apart from the consumer trust benefits, consumers were found to be more likely to need branch services for enquiries and more complex transactions.

With a more mobile society, reasonable availability of bank branch services is required by customers whereas, in the past, the absence of electronic alternatives and a lesser degree of customer mobility meant that bank branches were needed in most communities. Bank branches can provide face-to-face contact for customers on those occasions when they have enquiries or complicated transactions. Consumers were found to be significantly more likely to trust bank branch management and staff, and this trust in staff was found to have a positive correlation with consumers’ overall trust in their banks.

Looking at the usage of Bank branches, 63.5% of respondents had visited a bank branch at least once in the preceding month. Moreover, age and gender have no bearing on regularity of usage of branch services, but consumers who have a bank branch closer to them are more likely to use their services. These statistics show that consumers are still likely to need reasonable access to branches for some transactions or services at present and into the future (or at least until a more suitable electronic alternative exists).

The Bendigo Bank Community Banking scheme has used a lower-cost franchising model to open branches in many branchless communities. There are no data that suggest that Bendigo Bank customers are more reliant on branch services, in fact the consumer survey showed there was no significant difference in the number of times a Bendigo Bank customer uses branch services than most other bank types. The attraction of bank branches in these communities goes beyond the branch’s functionality.

It is important to note that schemes similar to the Community Bank scheme may not be suitable for major banks with established branch networks, but it does highlight the marketing potential for availability of bank branch services. Most conventional banks treat the bank branch as a liability, something that should be reduced for efficiency gains. Bendigo Bank has overturned this paradigm, treating the bank branch as an asset and a source of competitive advantage.
10.4.2 Social Responsibility

In line with the conceptual framework presented, perceived social responsibility and maintenance of perceived social obligations were significantly correlated with consumers’ trust in their banks. Issues of banks’ social responsibility were found to be important for consumers. This is most evident again in the provision of adequate services to local communities and supporting local organisations and the disadvantaged. It is therefore recommended that banks maintain at least an appearance of social responsibility.

More recent developments for the major banks have shown a greater recognition of their professed social obligations. This can only be good for communities as a whole. Each of the four major banks has made inroads into promoting their so-called social responsibility. Social responsibility, social impact statements and promotion of community commitment were evident at each of the major banks’ websites and inside their bank branches. This focus should be commended. However, corporate hyperbole and rhetoric need to be minimised with many consumers already suspicious of the motives of their banks. More regular and visible acts of social responsibility are more likely have a greater impact on perceptions of consumers, and ultimately increase the perceived trustworthiness of these institutions.

Bendigo Bank and credit unions have shown practical and highly visible acts of community commitment and social responsibility (as defined by the respondents) and in return are benefiting from a higher level of consumer trust overall. Bendigo Bank, principally with its Community Bank scheme, has strongly promoted their acknowledgement of professed social obligations by presenting themselves as socially active and caring about bankless communities. This has been used as an important point of differentiation for the bank. Similarly, credit unions have historically understood and responded to their defined communities’ financial and non-financial values and needs (Jarred 2001).

A similar approach, if taken by the major banks, may be seen as a cynical marketing exercise by consumers, based on their more recent behaviour. However, other examples of well targeted and promoted acts of social responsibility or care for the broader community may potentially have longer-term
consumer trust benefits. Any shift in focus to social obligations could be made with the purpose of maintaining profit and shareholder obligations as well as lifting consumer support for the bank brand.

10.4.3 Local Community Focus

One key social obligation identified in the consumer survey was that the banks should have a greater local community focus. Perceived community focus has been an important marketing asset for Bendigo Bank with its Community Banking scheme. In the scheme, residents of a community are involved with the opening of a new bank branch from its inception, viability studies, planning process, investment and finally the opening. This gives the bank the opportunity to develop relationships with potential customers even before local bank services are operational. Even the scheme’s name, Community Bank, denotes a level community focus.

Historically, banks in Australia were one of the fundamental institutions of a community. The Bendigo Bank has been able to capture this historical imagery of the bank as a quasi-community service institution and use it as a focus for their Community Banking scheme. This has made the notion of a bank branch as an indispensable part of the community even more commonplace.

Meanwhile major banks have reduced this focus on individual communities, using a more corporate approach and now appear to be more like faceless organisations. Giving branches and branch management more autonomy (within sanctioned head office guidelines) with the marketing of the bank services would allow for a more localised and tailored approach. Existing branch networks could be used more effectively as a means to connect and communicate with their communities rather than as a mere point of customer service. More localised marketing activities would give existing branch service a more visible local presence. This may see the return of the role of a bank manager to greater prominence in these communities.

It is unlikely that such activities would increase the number of unwanted simple transactions occurring inside the branch. Bendigo Bank has similar localised marketing of services, yet their branch usage rates were not significantly different
from those of the other banks. Consumers are also significantly more likely to prefer using electronic services.

It is therefore recommended that major banks develop greater community ties. As evident in the results of this study, local community focus has a significant correlation with consumer trust.

10.4.4 Power Asymmetry Reduction
A combination of factors, some not explored in this study, lead to perceived power asymmetries between customers and their banks. Within the scope of this thesis, a key factor which leads to perceived power asymmetries is perceived disparities in buyer-seller interdependence. In effect the consumer feels not as important to the bank as the bank is important to them.

Major bank customers were significantly more likely to believe that their bank did not value them as a customer than smaller bank and credit union customers. Bendigo Bank and Community Bank customers were significantly more likely to believe that their bank valued them, than all other banking entities. When looking at how the strategies diverge between Bendigo Bank and all other banking entities, a major difference exists in terms of community focus. This was most evident at the bank branch level.

Banks are therefore advised to give greater autonomy to individual branch managers to individualise marketing activities to their branch’s community. Furthermore, there is the potential for such a strategy to lead to an increase in the perception of power symmetry and mutual dependence. By individualising the branch activities at a community level, it is suggested that the banks are more likely to be able to adapt to local community needs. By the bank being seen to adapt to the community’s needs, rather than consumers feeling that they are ones adapting to the bank’s needs, it is more likely that a rebalance of perceived power symmetry could result. Bendigo Bank has been able to reduce perceived power asymmetry partly by making consumers feel as if they are supporting their community through their bank branch, and by the bank in turn effectively supporting their community. This situation of perceived mutual dependence is
largely achieved though more localised marketing and increasing the local community's stake in the bank branch.

By taking a more localised approach to marketing of banks there is a greater likelihood of increasing consumer perception of consumer/bank inter-dependence, as opposed to the bank appearing to be a necessary financial gatekeeper. Reduction in perceived power asymmetries between consumers and their banks is likely to a have a positive impact on consumer trust in their banks.

10.5 Further Research

There is a relative dearth of research which has been undertaken into the role of the various identified institutional attributes and their relationship consumer trust in banks. Until now, the majority of consumer trust literature has focused on applying interpersonal trust models and applying them to a business setting. This study has made a significant contribution by directly testing the relationship of a number of institutional attributes to consumer trust in a banking context.

Based on the findings of the research undertaken and the acknowledged limitations of the research undertaken thus far, a number of recommendations for further research have been made.

10.5.1 The Impact of Government Regulation and Regulation on Consumer Trust

Shown in Figure 29 the conceptual model proposed was adjusted based on the results of the consumer survey. The model tentatively shows perceived government protection and regulation as a potential factor in building institutional stature, and an antecedent to consumer trust. This refinement was justified because a considerable number of respondents indicated that banks were in a protected position and therefore had a purpose beyond mere business. Confirmatory quantitative testing, similar to that undertaken on the other institutional factors, would be required to test if this a significant factor of institutional stature and therefore consumer trust in their banks.
10.5.2 Examination of the Benefits of Consumer Trust

The benefits of consumer trust in the bank-to-consumer relationships need to be fully examined. Early studies on consumer trust have shown that trust can be a precursor to commitment or loyalty (Bennett et al. 2000; Colwell & Hogarth-Scott 2004; Doney & Cannon 1997; Garbarino & Johnson 1999; Judson & Kelly 1999; Liang & Wang 2004; Morgan & Hunt 1994; Nöteberg et al. 2003; Roberts 2000; Román 2003; Saparito, Chen & Sapienza 2004). However, banking relationships are generally more complex than other conventional business relationships. Consumers’ relationships with banks occur over an extended period of time with many transactions. Also there is a tendency for bank-to-consumer relationships becoming hostage relationships (Colwell & Hogarth-Scott 2004) with high switching costs, resulting in measures of length of relationship being commonly mistaken as bank loyalty.

Results of the consumer survey point to the possibility of there being a link between consumer trust in their bank’s branches and the potential electronic banking facilities. There has been some elementary research into consumer trust transferral (between physical businesses and corresponding Internet businesses) in marketing literature (DTI Foresight 2000; Dubelaar et al. 2003; National Consumer Council 2000; Parker 2000). This notion of trust transferral, if proved in a banking service context, may have broad implications for the industry.

10.5.3 A Longitudinal Study of the Impact of Deinstitutionalisation

As stated in the limitations section in the discussion chapter (section 9.9), the consumer survey was administered only once and was not a repeated-measure design testing longitudinal changes in consumer perceptions. A longitudinal study would facilitate a more accurate account of changes in consumer trust in banks over time. A longitudinal study would be able to test whether this perceived change in trustworthiness of banks was a case of rosy retrospection (Mitchell & Thompson 1994; Mitchell et al. 1997) or an actual case of diminishing trust.
10.6 Final Word

This study has made a significant contribution to theory through measuring and analysing the significance of the relationships of a number of institutional attributes to consumer trust in a banking context. The retail banking industry in Australia is dynamic and ever-changing and a number of pertinent developments in the industry have occurred since the consumer survey was conducted.

There has been a relative stabilisation in the activity of bank branch openings and closures between 2003 and 2004, with an overall net gain of 30 branches in Australia (+0.6%) (Australian Prudential Regulation Authority 2003, 2004). Between 2003 and 2004 ANZ had a net gain of one branch (+0.1%), Commonwealth Bank a net loss of one branch (-0.1%), National had a net loss of six branches (-0.8%) and Westpac had a net loss of 4 branches (-0.5%) (Australian Prudential Regulation Authority 2003, 2004). Bendigo Bank, mainly through the expansion of its Community Bank scheme, had a net increase of thirty-seven bank branches (+10.5%) (Australian Prudential Regulation Authority 2003, 2004).

Westpac and Commonwealth Bank (two of Australia’s major banks) have started promotions of in-branch services and facilities. Each of the campaigns highlights the services available inside their branches, the service environment and the capabilities of their staff and management (Commonwealth Bank of Australia 2005; Westpac 2005).

Each of the four major banks made highly visible donations of over one million dollars (Australian) each to various aid organisations for relief efforts involved in 2004 tsunami in South East Asia (Moran et al. 2005). Furthermore, all of the major banks have more recently released publicly available social statements and reports. These statements are available on their websites and in some cases inside their branches. Moreover, each of the four major banks has direct links to their “Community” policies prominently available on their websites’ homepages (ANZ 2005; Commonwealth Bank of Australia 2005; National 2005; Westpac 2005). This may reflect the broader community’s desire for their banks to be socially accountable or at least the banks wanting to appear to be socially responsible to consumers.
Beyond the Australian retail banking sector, like studies in other countries would be beneficial. In addition, studies in other industries where institutional trust is critical would be most beneficial in each case and for a comparative measure.


Department of Local Government and Regional Development 2002. Community Wise Tools: Creative Community Banking For Communities Faced With


Loewenthal, K M 1996. An Introduction to Psychological Tests and Scales.141.


Office of Regulation Review 1995. Competition and Retail Banking: A Submission to the Prices Surveillance Authority's Public Inquiry into Fees and Charges Imposed on Retail Transaction Accounts by Banks and Other Financial Institutions. Canberra ACT, Australia: The Office of Regulation and Review.


Appendix A

Questionnaire and Cover Letter

Contains:

1. Cover Letter
2. Questionnaire
3. Reminder Postcard

The cover letter (see A1) and questionnaire (see A2) were posted via standard mail (Australia Post) on 1 September 2003. These were posted in standard postage paid business sized envelopes (Swinburne University of Technology stationery) which include the Swinburne University of Technology logo and reply address. Each postcard individually addressed. Included in this mail out was a standard business sized reply paid envelope (Swinburne University of Technology stationery).

The reminder postcard (see A3) was posted via standard mail (Australia Post) on 11 September 2003. These were sent as shown without envelope.
27 August 2003

Dear Sir / Madam,

My name is Lukas Parker and I am a student at Swinburne University of Technology in Hawthorn. As part of my university degree I am researching the role of bank branches in communities. The research project title is: An examination of consumer trust in Australian retail banks. As part of this research, I am trying to obtain consumer attitudes and views towards banks and what they think of their bank’s role in their community. Your household is one of a small number in which people are being asked to give their opinion on these matters. Your views are very important to me, as they will be used in part to represent communities’ attitudes towards banks. Any member of the household aged 18 years or over may complete the questionnaire which should only take around 16 minutes.

In return for your help, a $2 donation will be made to the Petro MacCallum Cancer Institute for every questionnaire that is completed and returned.

Your name and address were not gathered from a mailing list. All participants were selected for this survey through a random sampling process from the White Pages telephone directories for Victoria.

This survey is in no way linked with any of the banks and data collected will not be forwarded to them. All data collected will be used to form part of my thesis. Other commonly asked questions that you may have are answered in detail on the back page of the questionnaire.

Any further questions regarding the project entitled “An examination of consumer trust in Australian retail banks” can be directed towards the Senior Investigator Val Clulow or Lukas Parker of the School of Business on the telephone number (03) 9980 7292 or via email lparker@swin.edu.au.

Please return the completed questionnaire to me in the reply paid envelope as soon as you can (no stamp required).

Thank you very much for your time and assistance.

[Signature]

Lukas Parker
School of Business
Swinburne University of Technology
**A2 Questionnaire**

8 pages (double-sided) saddle-stich. Printed on buff A4 paper. Each questionnaire individually numbered.

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**BANKING SURVEY**

Thankyou for taking the time to complete this questionnaire. It should take around 15 minutes. The aim of this survey is to gain insight into consumer opinions and attitudes towards banks within their communities. There are no right or wrong answers. To record your answer, please tick ☑ the box or circle the number before the statement that applies to you.

All surveys are CONFIDENTIAL. You are asked NOT to include your name.

The number at the top of this page is used only for administrative purposes.

It is not compulsory for you to complete this questionnaire. You may withdraw from completing this questionnaire at any time. A summary of the analysed results of this questionnaire will be included in Lukey Parker’s PhD Thesis and may be published in the academic journal Australian Medicus. If you have any questions about this survey, please contact Lukey Parker at Swinburne University of Technology on lukeyp@swin.edu.au or (03) 9900 7202.

**THANK YOU FOR YOUR HELP**

1. **With which MAIN bank or credit union do you do most of your personal day-to-day banking?**
   (Please tick if only 1 (ONE) box)

   - [ ] ANZ
   - [ ] Bank of Melbourne / Westpac
   - [ ] Bendigo Bank
   - [ ] Commonwealth Bank
   - [ ] National
   - [ ] St. George Bank
   - [ ] Other / Credit Union
     (Please Specify) [ ]

   [ ] I do not use a bank or other financial institution for my day-to-day banking (Go To Question 3)

2. **What types of accounts and services do you have at this bank?**
   (Tick all that apply)

   - [ ] Transaction Account
     (eg. Savings Account)
   - [ ] Credit Account
     (eg. Visa / Mastercard)
   - [ ] Cheque Account
   - [ ] Investment Account
     (eg. Term Deposit, Managed Fund)
   - [ ] Home Mortgage
   - [ ] Personal Loan
     (eg. Car loan)
   - [ ] Other Account
     (Please Specify) [ ]

3. **For EVERY one of the following bank facilities, please tick ☑ how often you have used each of these services from your MAIN bank in the LAST MONTH?**
   (ONE tick ☑ for EVERY service – ONE answer for EVERY row)

<table>
<thead>
<tr>
<th>Service</th>
<th>Never</th>
<th>1-2 times in the last month</th>
<th>3 or more times in the last month</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. EFTPOS (Including Credit Card transactions)</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>2. ATM (Automatic Teller Machine)</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>3. Telephone Banking</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>4. Internet Banking</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>5. Bank Branch</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

4. **Where is the NEAREST branch of your MAIN bank to your HOME?**
   (Please tick if only 1 (ONE) box)

   - [ ] In the suburb/town where I live.
   - [ ] The bank has no branches.
   - [ ] Other (Please Specify) [ ]

   [ ] The branch is more than one suburb/town away

---

Page 1
6. How close is the NEAREST branch of your MAIN bank to your HOME?  
(Please tick [ ] only 1 [ONE] box)  
☐ Under 5 kilometres  
☐ 5 – 10 kilometres  
☐ 11 – 20 kilometres  
☐ 21 – 30 kilometres  
☐ 31 or more kilometres  
☐ The bank has NO branches

6. For EVERY one of the following statements please CIRCLE the number that best matches your situation.

1. I make account transactions (eg. Deposits and Withdrawals) inside the bank branch.  
   Average: 5  4  3  2  1
2. I use the telephone to make banking enquiries.  
   Average: 5  4  3  2  1
3. I pay bills in my bank branch.  
   Average: 5  4  3  2  1
4. I visit the bank branch if I have a banking enquiry.  
   Average: 5  4  3  2  1
5. I use ATMs (Automatic Teller Machines) to make deposits to my account.  
   Average: 5  4  3  2  1
6. I visit the bank branch if I have a problem with my bank account.  
   Average: 5  4  3  2  1

7. For your MAIN bank, for EVERY one of the following statements please CIRCLE the number that best matches your view.

1. I would not care if my bank did not have bank branches.  
   Strongly Agree: 5  4  3  2  1
2. Internet banking is generally safe.  
   Strongly Agree: 5  4  3  2  1
3. I need to keep a close watch on my bank statement.  
   Strongly Agree: 5  4  3  2  1
4. Internet banking is more convenient than visiting a branch.  
   Strongly Agree: 5  4  3  2  1
5. Banks are just as trustworthy as they’ve ever been.  
   Strongly Agree: 5  4  3  2  1
6. In general, my bank is trustworthy.  
   Strongly Agree: 5  4  3  2  1
7. Small banks are more trustworthy than the big banks.  
   Strongly Agree: 5  4  3  2  1
8. My bank manager is generally trustworthy.  
   Strongly Agree: 5  4  3  2  1
9. Internet banking has made Bank branches unnecessary.  
   Strongly Agree: 5  4  3  2  1
10. I would keep an account in a bank that I did not trust.  
    Strongly Agree: 5  4  3  2  1
11. I feel a sense of loyalty to my bank.  
    Strongly Agree: 5  4  3  2  1
12. I have never had to question my bank’s motives.  
    Strongly Agree: 5  4  3  2  1
13. The bank branch is normally more trustworthy than the Internet bank.  
    Strongly Agree: 5  4  3  2  1
    Strongly Agree: 5  4  3  2  1
15. If I had a problem with my account I would telephone my bank.  
    Strongly Agree: 5  4  3  2  1
16. Using Internet banking can mean I don’t need to visit the bank branch.  
    Strongly Agree: 5  4  3  2  1
<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not Sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>17. My bank does not consider me important.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>18. Banks are not as trustworthy as they used to be.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>19. My bank normally acts in my best interests.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>20. When I visit my bank branch I feel welcome.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>21. I would not trust my bank if it did not have branches.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>22. I value my relationship with my bank.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>23. In general, I think bank branches are not important.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>24. I rarely meet my bank manager.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>25. I do not trust small banks.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>26. All the banks are the same.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>27. I sometimes feel distrust for my bank.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>28. My bank values me as a customer.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>29. I trust Internet banking transactions over bank branch transactions.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>30. I hate my bank.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>31. If I had a problem with my bank account I would go and visit the branch.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>32. Services in the bank branch and on the Internet are similar.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

8. Thinking about banks generally, for EVERY one of the following statements please CIRCLE the number that best matches your view.

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not Sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Banks are just like any other business.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>2. Banks care about the community.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>3. A bank branch in a small town is a sign of a prosperous community.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>4. Bank branches are important to the community.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>5. Bank Managers are generally trustworthy.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>6. Banks close down branches in small communities.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>7. Banks have an obligation to serve the community.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>8. A bank branch is as important to a community as a post office.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>9. All communities need bank branches.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>10. Banks provide important community services.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>11. There is more to bank branches than just dealing in money.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>12. A bank manager is a respected person in the community.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>13. A community without a bank branch is a sign of the times.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>14. Banks have profit obligations to their shareholders.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>15. Bank branches in small communities are not profitable for banks.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>16. Banks should provide services for economically disadvantaged people.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>17. Banks branches are nice, but for most people unnecessary.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

Page 3 of 8
9. Banks have social obligations to the community? (Please tick one)

☐ Strongly Agree  ☐ Agree  ☐ Not Sure  ☐ Disagree  ☐ Strongly Disagree

10. In your opinion, what are the banks' social obligations to the community? (Please specify)


11. How important is it that social obligations to the community are met by banks?

☐ Very Important  ☐ Important  ☐ Not Sure  ☐ Not Very Important  ☐ Not at all Important

12. In general, how well do you think social obligations are currently met by the banks?

☐ Very Well  ☐ Well  ☐ Not Sure  ☐ Poorly  ☐ Very Poorly

13. In general, how well do you think social obligations were met by the banks 10 years ago?

☐ Very Well  ☐ Well  ☐ Not Sure  ☐ Poorly  ☐ Very Poorly

Please now think about your LOCAL shopping area NEAREST to your HOME as you answer the rest of the survey.

14. Please indicate whether there are any of these shops and services in your local community (ONE Tick for EVERY shop or service)

<table>
<thead>
<tr>
<th>Shop or Service</th>
<th>NONE</th>
<th>ONE</th>
<th>TWO or MORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarket</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Post Office</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Newsagent</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Chemist</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Bank Branch</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Milk Bar / Convenience Store / 7Eleven</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>School</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>ATM (Automatic Teller Machine)</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Police Station</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Pub / Hotel</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

15. For EVERY one of the following shops and services, please indicate how important these are for a community.

(CIRCLE the appropriate number for EVERY shop and service – 5 = Very Important, 1 = Not at all Important)

<table>
<thead>
<tr>
<th>Shop or Service</th>
<th>Very Important</th>
<th>Important</th>
<th>Not Sure</th>
<th>Not Very Important</th>
<th>Not at all Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarket</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Post Office</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Newsagent</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Chemist</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Bank Branch</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Milk Bar / Convenience Store / 7Eleven</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>School</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>ATM (Automatic Teller Machine)</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Police Station</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Pub / Hotel</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

Page 4 of 8
16. For EVERY one of the following statements please CIRCLE the number that best matches your view.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not Sure</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. I can get most of my bank services without visiting a bank branch.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>2. ATMs (Automatic Teller Machines) are more convenient than going into the bank branch.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>3. If a post office provides banking facilities a bank branch is not needed in that community.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>4. I don’t think bank branches are important for a community.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>5. I trust the staff at my local bank branch.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>6. Bank branches provide more than just banking services.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>7. I regularly visit my bank branch in my home suburb/town.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>8. I would prefer to have an ATM (Automatic Teller Machine) in my suburban/town than a bank branch.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>9. I would prefer to have a bank branch in my home suburban/town than not have any.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>10. A post office cannot provide a complete banking service.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>11. It is important that there is a bank branch in my suburb town.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>12. I would prefer to have a bank branch in my suburb/town than an ATM (Automatic Teller Machine).</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>13. If my supermarket provides banking services a bank branch is not needed in the community.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>14. I do not trust Internet banking.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

17. Which of the following statements best applies to you?

(Please tick if only 1 (ONE) box)

☐ When I think of my MAIN bank I see the BANK’S LOGO.
☐ When I think of my MAIN bank I see a BANK BRANCH.
☐ When I think of my MAIN bank I see the BANK’S STAFF or MANAGER.
☐ When I think of my MAIN bank I see the BANK’S WEBSITE.
☐ When I think of my MAIN bank I see ________________________________

18. Have you heard of the COMMUNITY BANK scheme run by the BENDIGO BANK?

☐ Yes
☐ No

Please Go to Question 23 (Page 6)

19. Do you have an account at a Community Bank?

☐ Yes
☐ No

20. Is there a Community Bank in your LOCAL community?

☐ Yes
☐ No
☐ Not Sure

21. Do you know where your NEAREST Community Bank located?

☐ Yes
☐ No

Please Specify the Town or Suburb

______________________________

Page 5
22. Thinking about COMMUNITY BANKS generally, for EVERY one of the following statements please CIRCLE the number that best matches your view.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not Sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Community Banks are an asset to their communities.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>2. Community Banks are more trustworthy than other banks.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>3. I would not consider opening an account at a Community Bank.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>4. I prefer Community Banks to other large banks.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>5. Community Banks are the same as all the other banks.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>6. I have the same amount of trust for Community Banks as all other banks.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>7. Community Banks care about the community.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>8. I trust Community Banks.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>9. I would trust a Community Bank with my money.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>10. Community banks are not as safe as big banks.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>11. Community Banks are a good replacement for a regular bank branch.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>12. Community Banks exploit small communities.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

23. For analytical purposes, please tell us about yourself:

Year of birth

19 [ ]

24. Sex (Please tick one)

[ ] Male

[ ] Female

25. Postcode or Town/Suburb

[ ] [ ] [ ] or

Postcode

Town/Suburb

26. Where do you live? (Please tick one)

[ ] Inner Melbourne (City and Inner Suburbs)

[ ] Outer Melbourne (Middle and Outer Suburbs)

[ ] Regional City (e.g. Geelong, Ballarat, Shepparton)

[ ] Rural Town

[ ] Outside a Rural Town

27. Where do you work? (Please tick one)

[ ] I work and live in the SAME suburb/town.

[ ] I DO NOT work and live in the same suburb/town.

[ ] I am NOT currently in paid employment.

28. Please indicate your PERSONAL GROSS INCOME? (Please tick one)

[ ] $20,000 or under

[ ] $20,001 - $35,000

[ ] $35,001 - $50,000

[ ] $50,001 - $65,000

[ ] $65,001 - $80,000

[ ] $80,001 and over
29. We would appreciate any further comments you wish to make about banking.

Thank you again for your generous help and the contribution you have helped to make to the Peter MacCallum Cancer Institute.

Could you please check to ensure that you have answered all the questions, and return the questionnaire in the reply paid envelope at your earliest convenience.

or

Return the questionnaire to the following address:
Lukas Parker
PG Box 218
Swinburne University of Technology
Hawthorn VIC 3121
ANSWERS TO COMMONLY ASKED QUESTIONS

How was I selected for this study?
Your name was scientifically selected at random from a sample of the White Pages telephone directories for all of Victoria.

What if I don’t want to complete the survey?
Your participation is completely voluntary. Furthermore, you do not have to answer any question that you feel is too personal or intrusive. You are free to withdraw consent and to discontinue participation in the study at any time.

If you have any complaints or questions with regard to the nature of this survey please contact the Chair of Swinburne University of Technology’s Human Research Ethics Committee, at:

The Chair
Human Research Ethics Committee
Swinburne University of Technology
P O Box 218
HAWTHORN VIC 3122
Phone: (03) 9214 5223

What will happen with the information I provide?
Your privacy and anonymity is assured with this survey. All responses received will remain strictly confidential. The questionnaire has an identification number for mailing purposes only. This is so that we can check your name off the mailing list when your questionnaire is returned. Your name will never be placed on the questionnaire itself. No findings which could potentially identify any individual participant will be published. Only I will have access to the questionnaires, which will be stored for at least five years in a locked filing cabinet as prescribed by Swinburne University of Technology’s regulations.

The results of this research will be used directly for the writing of my thesis which is a requirement of my university degree. It is also intended that the results may be made available to a wider audience by submission to academic journals.

Can I receive a copy of the survey results?
If you are interested in receiving a report on the findings of this research, just write “copy of results requested” on the back of the return envelope and print your name and address below it. Please do not put this information on the questionnaire itself.

What if I have further questions?
As stated at the front of this letter, I would be most happy to answer any questions you might have. Please contact me via email at jfcarter@swm.edu.au or call me on: (03) 9958 7292.

Thank you once again for your help.
A3 Reminder Postcard
Printed on grey A6 card (Double Sided). Each postcard individually addressed.

Side 1

Recently, a questionnaire seeking your opinions on bank branches and your community was mailed to you. If you have already completed and returned it to us, please accept our sincere thanks. If not, please do so today. This survey has been sent to a small sample of Victorian households, it is therefore vital that your opinions are included as part of this research.

Furthermore, by completing and returning the questionnaire you are helping to contribute to a donation to the Peter MacCallum Cancer Institute for the fight against cancer.

If by some chance you did not receive the questionnaire, or misplaced it, please contact me on (03) 9580 7292 or lparker@swin.edu.au and I will mail you another one immediately.

Thank you,

Lukas Parker
School of Business
Swinburne University of Technology

Side 2
Appendix B

Population Remoteness Classifications

Throughout the thesis remoteness classifications are used to group geographic centres of population. These have been used in order to provide a standard geographical structure describing Australia and Victoria in terms of a measurement of remoteness or distance from services. They have been used to allow quantitative comparisons between 'city' and 'country' Australia and Victoria. The classifications used are used as a standard for the Australian Bureau of Statistics.

“The Remoteness Structure is based upon the Accessibility/Remoteness Index of Australia (ARIA) which was developed for the former Commonwealth Department of Health and Aged Care (now Department of Health and Ageing) by the National Key Centre for Social Applications of Geographical Information Systems (GISCA)” (Australian Bureau of Statistics 2004b). ARIA measures the remoteness of a point based on the road distances to the nearest town (service centre) in each of five population size classes. The basic premises of ARIA are that there are more services available in larger towns than small towns and that remoteness is a factor of the relative distance one must travel to access a full range of services (Australian Bureau of Statistics 2004b).

The Remoteness Structure contains five categories (see Table 59) which provide a measurement of whether geographic distances impose restrictions on the availability of a range of goods, services and opportunities for social interaction.
### Table 59  Population Remoteness Classifications

<table>
<thead>
<tr>
<th>Classification</th>
<th>Restriction</th>
<th>Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Cities of Australia</td>
<td>Minimal</td>
<td>Sydney (including Newcastle and Wollongong), Melbourne (including Geelong), Brisbane (including Gold Coast), Adelaide, Perth and Canberra.</td>
</tr>
<tr>
<td>Inner Regional Australia</td>
<td>Some</td>
<td>Hobart and Launceston (Tasmania), Tamworth, Wagga Wagga (New South Wales), Ballarat, Bendigo (Victoria), Rockhampton, Bundaberg, Gladstone (Queensland), the Adelaide Hills (South Australia) and Bunbury (Western Australia).</td>
</tr>
<tr>
<td>Outer Regional Australia</td>
<td>Moderate</td>
<td>Darwin (Northern Territory), Broken Hill, Griffith, Gunnedah (New South Wales), Horsham, Swan Hill, Traralgon (Victoria), Roma, Cairns (Queensland), Port Augusta, Mount Gambier (South Australia), Albany (Western Australia) and Burnie (Tasmania).</td>
</tr>
<tr>
<td>Remote Australia</td>
<td>High</td>
<td>Cobar (New South Wales), the northern Wimmera district (Victoria), Charters Towers and Cooktown (Queensland), Port Lincoln (South Australia), the Kalgoorlie gold-fields (Western Australia), parts of the West Coast (Tasmania), Alice Springs and Katherine (Northern Territory).</td>
</tr>
<tr>
<td>Very Remote Australia</td>
<td>Highest</td>
<td>The far west parts of New South Wales and Queensland, northern South Australia and Western Australia, most of the Northern Territory and Flinders and King Islands in Bass Strait (Tasmania).</td>
</tr>
</tbody>
</table>

Source: Australian Bureau of Statistics 2004b

Although there are five classifications presented, in some instances in the thesis the two regional categories have been collapsed in to one category called “Regional” or “Regional Victoria” and the two remote categories collapsed into one category called “Rural” or “Rural Victoria”. In certain instances (Chapters 7, 8 and 9) when referring to Victoria, the “Rural” category is integrated with the “Regional Victoria” category because the rural category only encapsulates 0.1 percent of the population of Victoria (Australian Bureau of Statistics 2004b).
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABIO</td>
<td>Australian Banking Industry Ombudsman</td>
</tr>
<tr>
<td>ABS</td>
<td>Australian Bureau of Statistics</td>
</tr>
<tr>
<td>ACCC</td>
<td>Australian Consumer and Competition Commission</td>
</tr>
<tr>
<td>ADI</td>
<td>Authorised Deposit Taking Institution</td>
</tr>
<tr>
<td>ANOVA</td>
<td>Analysis Of Variance</td>
</tr>
<tr>
<td>ANZ</td>
<td>Australia and New Zealand Banking Group</td>
</tr>
<tr>
<td>APCA</td>
<td>Australian Payments Clearing Association</td>
</tr>
<tr>
<td>APRA</td>
<td>Australian Prudential Regulation Authority</td>
</tr>
<tr>
<td>ARIA</td>
<td>Accessibility/Remoteness Index of Australia</td>
</tr>
<tr>
<td>ATM</td>
<td>Automatic Teller Machine</td>
</tr>
<tr>
<td>BBIfCo</td>
<td>Bank Branches – Important for Communities (Construct)</td>
</tr>
<tr>
<td>BBIfCu</td>
<td>Bank Branches – Important for Customers (Construct)</td>
</tr>
<tr>
<td>BBvATM</td>
<td>Bank Branches versus ATMs</td>
</tr>
<tr>
<td>BBSCNP</td>
<td>Small Community Bank Branches – Not Profitable</td>
</tr>
<tr>
<td>CB</td>
<td>Community Bank</td>
</tr>
<tr>
<td>CBA</td>
<td>Commonwealth Bank of Australia</td>
</tr>
<tr>
<td>CBGfC</td>
<td>Community Banks – Good for Communities (Construct)</td>
</tr>
<tr>
<td>CRA</td>
<td>Community Reinvestment Act (United States of America)</td>
</tr>
<tr>
<td>CU</td>
<td>Credit Union</td>
</tr>
</tbody>
</table>
df  Degrees of Freedom

EFTPOS  Electronic Funds Transfer at the Point Of Sale

GISCA  National Key Centre for Social Applications of Geographical Information Systems

HSD  Honest Significant Difference

KMO  Kaiser-Meyer-Oklin (Value)

MB  Major Bank

NAB  National Australia Bank (The National)

PrIBB  Preference – Internet Banking over Bank Branch (Scale)

RACV  Royal Automobile Club of Victoria

RBA  Reserve Bank of Australia

RelBVC  Relationship – Bank Values Customer (Construct)

RelCVB  Relationship – Customer Values Bank (Construct)

SerB  Extra-Business Bank Services (Scale)

SocOb  Social Obligations (Scale)

TDM  Total Design Method

TrB  Trust – Bank (Construct)

TrBSM  Trust – Bank Staff / Management (Construct)

TrCB  Trust – Community Banks (Construct)

TrP  Trust – Change