

THE IMPACT OF ELECTRONIC BANKING AND CUSTOMER TRUST IN SOME SELECTED COMMERCIAL BANKS IN MOGADISHU SOMALIA

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Abstract

The increase in the number of banks and technology caused many banks that we are using branch banks to try to convert into the online system or adopt electronic banking. So, the aim of this study was to investigate the effect of electronic banking on customer trust. The main objectives of the study were: to know whether or not customers are aware of the electronic service products, does the consumers' trust electronic banking and what are the challenges associated with electronics. The study employed a self-administered questionnaire for data collection, also a used statistical package for social science V.21 to analyze the data and interpret it. Also, the study found that the overall mean is very good and agrees that electronic banking has an effect on customer trust because, without customer trust, electronic banking would not have gotten to the ground.

Finally, therefore the effects of electronic banking on customer trust have a positive effect because all the objectives of the study were positive and very high.

Keywords: Electronic banking, Customer trust, Commercial Banks, Effect of Customer trust.

1.0 Introduction

In recent years, internet banking has revolutionized the face of commercial banking by bridging geographical, industrial, and regulatory boundaries, as well as providing new goods and services and expanding market prospects for both banks and clients. (Liao & Cheung, 2002; Khan & Karim, 2010). Pearce and Robinson (2009) define internet banking as a type of bank transaction in which customers use the internet to transfer the funds, check account balances, pay bills, and manage assets such as stocks. Internet banking has several advantages for bank consumers, but it also has some drawbacks. The use of the Internet as a medium for financial services is becoming increasingly popular. On the one hand, technology can make consumers' comprehension of exchange easier, but it can also make customers' awareness more complex. Moreover, Mick and Fournier (1998) describe eight such computer technology contradictions. Consumers believe that Internet tool is great to control and confusion, freedom and reliance, new and outmoded practice, a reduce in competence, a reduce in efficiency, the fulfillment or creation of needs, the promotion or complexity of social

contact, and engagement or disconnection. Customers find it extremely difficult to comprehend online services because of these reservations.

According to Shumaila, Yousafzai, Pallister and Foxall (2003), Trust is described as "the belief that a group's effort or pledge is trustworthy, and that a party will follow his or her promises" in an exchange of value. Trust is built when one party believes in the security of an exchange connection. (Morgan & Hunt, 1994). "A party's willingness to always be attentive to the acts with another party is based on the presumption that somebody will do a certain action that is critical to the trust, regardless of the way to monitor or manage other party," says one definition of trust. (Mayer, Schoorman & Davis, 1995).

Trust plays a large role in determining consumers' initial and continued use of the e-banking service (Suh and Han, 2002; Rexha, N., Kingshott, R.P.J. & Aw, A.S.S., 2003; Lichtenstein and Williamson, 2006). Trust is, in turn, derived from two components: situational normality and structural assurance (McKnight, d. h., Choudhury, v. & Kacmar, c., 1998; McKnight & Chervany, 2002; Balasubramanian, S., Konana, P. & Menon, N.M., 2003).

Technology is used to achieve better banking results. According to an HSBC study from 2000, the benefits of technology outweigh the costs by more than three times. Continuous innovation is necessary in today's financial sector to meet the demands and wishes of ever-demanding customers. As a result, banks must use cutting-edge technology to deliver innovative product and services quickly and effectively. (Augusto, 2002) The rise in the number of banks in Mogadishu led to the creation of a powerful competitive environment in which every bank is willing to get enough market shares in order to stay in the market. Therefore, this requires attracting customers by putting in place all the mechanisms for meeting customer needs and expectations about the services provided by the bank. In particular, this powerful competitive environment urges each bank to identify the factors that influence customer loyalty to their services. Therefore, this study aimed to investigate Electronic Banking and Customer Trust in Mogadishu-Somalia.

2.0 Literature Review

"e-banking comprises the providing of small and medium enterprises value banking products and services through electronic channels, along with highly valuable electronic transfers and other financial services delivered digitally," according to the Financial Stability board. (BCBS, 1998). Many scholars have discussed the issue of associated with the online environment, which has developed a compelling list of traits that undermine consumers' faith in e-commerce because since late 1990s. (Appendix A). The commonly cited study by Hoffman et al. (1999) focuses on internet trust's major drivers of confidentiality and protection. They suggest that consumer perceptions of online confidentiality and protection are directly affected by climatic control, or the user's ability to regulate the activities of a web provider. Moreover, In the early 1980s, the term "e-banking" was coined to describe the use of a machine to access financial services via the home phone. E-banking first appeared in New York in 1981, when Citibank, Chase Manhattan, Chemical, and Manufactured Hanover were among the first to offer it. The Bank of Scotland was the first to offer the idea in 1983, and it was quickly adopted by British banks. Early electronic banking systems were simple, allowing users to view bank statements and pay bills online without requiring them to use a complete transaction banking service. (Shannak, 2013).

Furthermore, trust is linked to hazard since it lowers the likelihood of succumbing to information asymmetry. However, because trust effectively entails incurring risks and becoming susceptible to well within, it is only required in unexpected circumstances. (Hosmer, 1995). As noted by Lewicki & Bunker (1995), trust is situational and context-specific and should be investigated under specific contextual and situational parameters. In the context of Internet shopping, Lee & Turban (2001)

defines risk as a situational element in which: first, the result of an Online shopping transaction is unpredictable; second, the outcome is dependent on the behavior of the Online merchant, which is beyond the consumer's control. Finally, the costs of an unfavorable outcome may outweigh the advantages of a favorable outcome.

2.2.1 Factors Effecting Trust

First **Reputation** Chang & Cheung (2005) revealed that trust in online shopping is influenced by reputation. It falls under the category of procedure trust and therefore is characterized as a powerful symbol of previous transaction history. "Process-based trust develops over time through repetitive interactions between two partners and is thus dependent on each partner's behavior as well as the histories of connections between them." (Lindgreen, 2003). Besides, Pennington, Wilcox & Grover (2004), This demonstrates that now in of reputation is a significant influence build emotional. Furthermore, because character is a kind of 2nd rumor, McKnight & Chevany (2002) revealed that having a good character had a positive impact on trusting views. It refers to the weighted average of several people's thoughts about an e-bank in the context of internet banking. (MacInnes, Li & Yurcik, 2005). Second **Familiarity** refers to previous contacts with internet banking service providers (Pavlou, 2002). According to Yamigishi (1994), experience and understanding trust is built on history, information, and experiences. Familiarity with the website methods decreases confusion and the likelihood that the consumer would wrongly believe he or she is being exploited (Gefen 2000). The collection of confidence knowledge arising from interaction with other person develops trust (Gefen, 2000). Third **Trust beliefs**, trust beliefs mean trust in online banking vendors. Trust or (User) perceived that the trustee (online banking vendor) has beneficial attributes to him/her. These attributes include benevolence, competence, and integrity (McKnight & Chervany, 2002). Compassion means "one can rely on the goodwill of the other to act in one's best interest" (Hoy & Tarter, 2004 p. 254). In addition, "competence is the belief that a partner has the necessary skills to do a task" (Coetzee & Eloff, 2005 p.502). Many researchers have discovered in recent years that customers are aware of the benefits of utilizing online banking, such as practicality, abundance of knowledge, easy accessibility, time and money savings, and trustworthiness, all of which are critical for E-acceptance. banking's In a study by Ankit (2011), he found that when it comes to Online banking, issues like security, trust, and anonymity have been identified as the most important for a customer. This isn't to say that the other elements, such as perceived utility and user acceptability, aren't significant. Poon (2008) investigated 10 different factors that influence the utilization of online banking services. The biggest sources of disappointment, which have greatly hampered client happiness, are confidentiality. Additionally, according to Ankit (2011), security, trust, and privacy issues are the top worries from the customer's standpoint whenever it comes to internet banking adoption. This isn't to argue that other factors like perceived utility and user acceptability don't matter. Trust in an internet merchant is described as the willingness to make oneself subject to actions taken by a trusted individual based on a sense of security and assurance (Gefen, 2000).).

"The belief that another's promise may be trusted and that, in the event of unforeseen events, the other will act benevolently and courteously toward the trust or" (Suh & Han, 2002).

3.0 Methodology

The study used a quantitative approach through a questionnaire survey. The target population of the study was commercial banks in Mogadishu. However, the study was interesting to focus on only two banks, regarding their experience in electronic banking. The sample size consists of 60 respondents drawn from two commercial banks operating in Mogadishu were 20 by Premier bank, and 40 by Salaam bank, especially Customers that use the services of electronic banking on daily basis.

4.0 Results and discussions

4.1 DEMOGRAPHIC DATA

A total of 60 people were selected, who use E-banking on a daily basis as a sample. Sixty people were able to respond to the questionnaires provided, making the response rate a hundred per cent of the study sample. The study collected information on different characteristics of respondents. Detailed results on each of the characters are presented in the following subsections

Table 4.1 Gender of the respondents

Gender	Frequency	Percent
Male	34	56.7%
Female	26	43.3%
Total	60	100.0%

Source: from the Primary data, 2017

The majority of the respondents were female totaling to 26 comprising 43.3% while the male respondents were 34 comprising 56.7%. The results imply that this rate is likely going to affect internet banking trust as males are more likely to welcome new innovations in the banking industry than their female counterparts.

Table 4.2 Marital Status of the respondents

Marital Status	Frequency	Percent
Married	31	51.7%
Unmarried	29	48.3%
Total	60	100.0%

This table and the below figure present the majority of the respondents are married which forms 51.7 percentage of total respondents while the unmarried persons are 48.3 percentage of total respondents.

Table 4.3 Age of the respondents

Age	Frequency	Percent
20-30	36	60.0%
31-40	20	33.3%
41-50	4	6.7%
Total	60	100.0%

The majority of the respondents were in the 20–30-year age bracket (60.0%) while on the other hand, those in the 31–40-year age group comprised 33.3% of the sample. In addition, those in the 41-51years age bracket were 6.7%. This implies the majority of the commercial banks’ clients are in a dynamic age that can easily learn and understand the Internet banking infrastructures put in place by a commercial bank.

Table 4.4 Educational level of the respondents

Education level	Frequency	Percent
Bachelor Degree	31	51.7%
Master Degree	29	48.3%
Total	60	100.0%

The majority of the respondents were 31 with bachelors degree (51.7%) while the other hand, those with Master's were 29 comprising 48.3% of the sample. This implies that most bank customers can easily understand the functioning of the structures put in place by commercial banks such as ATM operations and Mobile banking.

Table 4.5 Status for usage of the respondents

Status of Usage	Frequency	Percent
6-12 Months	18	30.0%
1-4 Years	28	46.7%
5-8 Years	14	23.3%
Total	60	100.0%

Respondents stated how long they have been using e-banking services. In **Table 4.1.2.5**, it can be observed that the majority of the respondents have been used 1-4 years the e-banking products and services which is 46.7% While 30% of the respondents have been using 6-12 months and the least respondents were 23.3% which have been using these services 5-8 Therefore these responses indicate that e-banking products and services were increased last 5 years.

4.2 DATA PRESENTATION AND ANALYSIS

This section, the researcher presented the analysis of the data that are collected in the questionnaire of the study that related to the research objectives. This section is classified into three subsections; the first subsection described the analysis of the data that related to the first objective of the study followed by and the second subsection presented the analysis of the data that related to the second objective of the study. And the last subsection presented the analysis of the data related to the third objective of the study.

4.2.1 The mean and standard deviation of the factors that related the customer awareness of E-banking in Mogadishu.

The first objective of the study is to determine how the customer awareness of E-banking service in Mogadishu. The respondents were asked questions related to their awareness of e-banking services and products in Mogadishu and their responses were analyzed and described using means and standard deviations

TABLE 4.2.1 TO DETERMINE IF THE CUSTOMER ARE AWARE E-BANKING PRODUCTS IN MOGADISHU.

Questions	Mean	Std. Deviation	Interpretations
I frequently heard that my bank has electronic banking services.	3.4667	1.29493	High
I am aware of any services that my bank introduced.	3.6667	1.09956	High
I heard the services on the Radio for the first time.	3.3833	1.31602	Moderate
I think with the introduction of electronic banking, customer service has improved.	3.8667	1.03280	High
Using E-banking services enables you to complete banking activities more quickly.	3.7833	1.19450	High

In the above table 4.2.1, the first objective of this study was to determine if the customers are aware of e-banking services and products in Mogadishu, thus; the first question the respondents were asked was “I frequently heard that my bank has electronic banking services” and found the mean and standard deviation of 3.4687, 1.295 respectively. In the second question, the respondents were asked “I am aware of any services that my bank introduced” and found a mean and standard deviation of 3.6667, and 1.09956 respectively. The third question the respondent was asked” I heard the services on the Radio for my first time” and found a mean and standard deviation of 3.3833, and 1.31602 respectively. The fourth question the respondent was asked “I think with the introduction of electronic banking, customer service has improved” and found a mean and standard deviation of 3.8667, and 1.03280 respectively. The fifth question the respondent was asked” Using E-banking services enables you to complete banking activities more quickly” and found mean and standard deviations of 3.7833, and 1.19450 respectively. According to the above table, the result showed that most of the respondents of this study that use electronic banking were aware that their banks have electronic banking products.

4.2.2 The mean and standard deviation of how the consumers trust electronic banking.

The second objective of the study is to know if the customers trust on e-banking system. The respondents were asked questions related if do customers trust e-banking and their responses were analyzed and described using means and standard deviations.

TABLE 4.2.2 IF DOES THE CONSUMERS TRUST ON ELECTRONIC BANKING IN MOGADISHU SOMALIA.

Questions	Mean	Std. Deviation	Interpretation
I believe my transactions through the website are likely to be secure.	3.1000	1.05284	Moderate
I believe my transactions with the bank will not be reliable.	2.9000	1.17459	Moderate
The bank will inform me if there are problems with my transactions.	3.5167	1.01667	High
I do not trust the online banking website.	2.6667	1.32341	Moderate
I receive warning messages when the communication is insecure.	3.3333	1.15958	Moderate
I trust that my bank provides security protection (technology) to prevent unauthorized intrusion.	3.7500	1.03539	High

In the above table 4.2.2, the second objective of this study was if the customers trust e-banking in Mogadishu Somalia. Therefore, the first question of the respondents was asked “I believe my transactions through the website are likely to be secure” the result showed a mean and standard deviation of 3.1000, and 1.05284 respectively.

The second question of the respondents was asked “I believe my transactions with the bank will not be reliable” the result showed a mean and standard deviation of 2.9000, and 1.17459 respectively. The third question of the respondents was asked “The bank will inform me if there are problems with my transactions” the result showed a mean and standard deviation of 3.5167, and 1.01667 respectively.

The fourth question of the respondents was asked “I do not trust the online banking website” the result showed a mean and stand deviation of 2.6667, and 1.32341 respectively.

The fifth question of the respondents was asked “I receive warning messages when the communication is insecure” the result showed a mean and standard deviation of 3.3333, and 1.15958 respectively.

The last question of the respondents was asked “I trust that my bank provides security protection (technology) to prevent unauthorized intrusion” the result showed a mean and standard deviation of 3.7500, and 1.03539 respectively.

Therefore, the overall mean is agreeing and neutral that customers trust electronic banking providers this shows that customers’ trust in electronic banking is bad.

4.2.3 The mean and standard deviation of what were the challenges associated with electronic banking.

The third objective of the study is to determine if there were challenges associated with electronic banking. The respondents were asked questions related if there were challenges associated with electronic banking and their responses were analyzed and described using means and standard deviations.

TABLE 4.2.3 WHAT WERE THE CHALLENGES ASSOCIATED WITH ELECTRONIC BANKING.

Questions	Mean	Std. Deviation	Interpretations
Some customers suffer lack of knowledge of the technology.	3.2167	1.18023	Moderate
There is a high risk that a transaction of transferring money, or standing order, may not be processed using the Internet banking.	3.0833	1.22532	Moderate
In the event that my online bank account has been hacked into and my money stolen, I am not confident that the bank will help me to recover my money.	2.6167	1.07501	Low
I do not feel safe providing personal privacy information through Internet banking.	2.6000	1.07672	Low
Some customers they feel some language barriers.	2.9333	1.24692	Moderate

Source: from the primary data, 2017

On the above table **4.2.3**, the second objective of this study was what were the challenges associated with electronic banking in Mogadishu. Thus, the first question of the respondents was asked, "Some customers suffer lack of knowledge of the technology" the result showed mean and standard deviation of 3.2167, 1.18023 respectively.

The second question of the respondents were asked "There is a high risk that a transaction of transferring money, or standing order, may not be processed using the Internet banking" the result showed mean and standard deviation 3.0833, 1.22532 respectively.

The third question of the respondents were asked "In the event that my online bank account has been hacked into and my money stolen, I am not confident that the bank will help me to recover my money" the result showed a mean and standard deviation 2.6167, 1.07501 respectively.

The fourth question of the respondents was asked "I do not feel safe providing personal privacy information through Internet banking" the result showed mean and standard deviation 2.6000, 1.07672 respectively.

The fifth question of the respondents was asked "Some customers they feel some language barriers" the result showed a mean and standard deviation 2.9333, and 1.24692 respectively.

Therefore, based on the result in the above table showed that there were no more challenges associated with electronic banking that face by customers when they are using the e-banking products.

In conclusion, the result showed that the overall mean and standard deviation is very high and agrees that indicates a positive effect of electronic banking on customer trust.

5.1 CONCLUSION

Electronic banking products have been created in order to satisfy the customers to become their services very easy way and also to facilitate the transaction between them in a quick and time-saving manner also they can check their accounts and also transfer payments in without consuming more time. The aim of the study was to investigate the effect of electronic banking on customer trust in Somalia, especially in Mogadishu some banks provide electronic banking products Such as Mobile banking and Master card these products customers used on daily basis, so the objectives of this study were to determine whether they are aware of electronic banking products, if there were challenges associated e-banking product and if they trust the whole services. The result indicates that most respondents are aware of e-banking products also their trust is very good on the other hand there were no challenges associated with e-banking products so there is a positive effect between electronic banking and customer trust.

5.3 RECOMMENDATIONS

- Trust building among the customers should be a major concern for the service providers while improving the usefulness of the system. In order to enhance trust in internet banking, trust-creating activities must be continuously pursued.
- Bank managers should develop a system that provides up to date and relevant financial information with good user interface consistency in order to enhance trust.
- Changing consumer attitudes towards electronic banking should be put into consideration. Bank managers should place more emphasis on the awareness of internet banking adoption while educating individual customers on its existence and benefits. User awareness of electronic banking services can be increased through putting in place community-based workshops and through various social networks 60 and channels, such as word of mouth and informal seminars before introduction of new technology.

- Commercial banks should make the internet banking interface for the customer more attractive and easier to navigate in order to increase the adoption rate of electronic banking.

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