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Assessing the Factors that Influence Trust in the Bahraini Retail Banking after the Financial Crisis

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Abstract -*The goal of this paper is to gain knowledge about key factors that influence customer's trust towards retail banks. The methodology of this study was based on gathering the data though questionnaires as a primary tool of data collection. The study underpins various factors such as global financial conditions, domestic financial conditions, the bank reputation and classification in the market, political factors, strength of the customer loyalty and the customer satisfaction. Findings concluded that the six factors that we examined without any exception emphasizes the effect on trust towards retail banks.*
Key words: *Financial crisis, trust, bank,* political factors, strength of the customer loyalty and the customer satisfaction.

1. Introduction:

The financial services industry has witnessed one of the most serious crisis in its history. Many financial institutions in the world have lost billions of dollars over the last two years and the industry attitude is extremely changing. Countries corporate and financial sectors experienced a large number of defaults during the crisis where financial institutions and corporations faced great difficulties in repaying contracts on time. As a result, bad debts increase sharply and all or most of the total banking system capital is exhausted. This situation may be accompanied by decrease in asset prices (such as equity and real estate prices). In some cases, the crisis is triggered by depositor runs on banks, though in most cases it is a general realization that systemically important financial institutions are in distress.

Today's retail banking industry is in crisis. The symptoms can be present like so many ingredients in a bad recipe; a lack of market growth, reduction revenue pools, uncertain long-term liquidity, huge loan losses, tightening regulation, slow value creation, and interest rates have dropped to their lowest level in generation where the profit decline to the lowest level. Moreover, the economic fundamentals of the banking business are changing due to the pressure from government in guiding and creating appropriate regulatory framework to enable the sound and stable conduct of financial services and financial institutions. Even in the GCC the crisis has begun to have an impact. Although the GCC countries enjoy strong fundamentals, this did not protect them against the crisis. Several have experienced significant stock market corrections. Some GCC members have needed to provide support to their banking sectors, either in the form of recapitalization funds, or by providing cover guarantees of deposits, or by a combination of both. There is plenty of anecdotal evidence that investment projects are being delayed or scaled back (Al Maraj, 2008).

Rather than addressing the causes of this crisis, in this study we want to concentrate on the remedies, and focus on one particular aspect of this debate. It is clear that many people all over the world have lost faith and trust in banks and in the financial services industry in general. Therefore, this study attempts to investigate the factors that appear to exercise the greatest influence on customers trust towards retail banks in Bahrain. The study intended to review previous literatures and summaries various factors that would affect customers trust towards retail banks.

The overall objective of the study is to gain knowledge about key factors that influence trust towards retail banks which include global financial conditions, domestic financial conditions, the bank reputation and classification in the market, political factors, strength of the customer loyalty and the customer satisfaction, hence trying to find some remedies to maintain and develop trust in retail banking. In addition, we would like to prove that people losing their trust towards their local banks and prefer to invest their money in any kind of profitable enterprises rather than investing in banks with lack of trust. The purpose of this study is explanatory in nature, while descriptive purpose implemented to assists the primary research purpose. The study uses quantitative research design. Pilot test study was implemented to market share the validity and reliability of the questionnaire. The sample of the study is individuals who depositing their fund in the retail banks. The study employed various statistical tools to provide empirical evidence that would answer research questions and either support or reject the research hypotheses. The first chapter in this research includes introduction and objective of the study. In the second chapter, literature review including financial crisis, trust and retail banking in the context of financial services are discussed. In this chapter, we will reveals the link between financial crisis, trust and retail banking respectively, this attempts to show what happened to the level of trust after the financial crisis and how trust can be changed over time. In chapters three and four, we discussed methodology and data analysis and testing respectively. Conclusion and some recommendations for developing and maintaining trust are presented in chapter five.

2. LITERATURE REVIEW

The late-2000s financial crisis (often called the Credit Crunch or Global Financial Crisis) is considered by many economists to be the worst financial crisis since the Great Depression of the 1930s. It resulted in the collapse of large financial institutions, the bailout of banks by national governments, and downturns in stock markets around the world. It contributed to the failure of key businesses, declines in consumer wealth estimated in the trillions of U.S. dollars, and a significant decline in economic activity, leading to a severe global economic recession in 2008 (Wikipedia, 2011).

We start with the definition of a systemic banking crisis. In a systemic banking crisis, a country's corporate and financial sectors experienced a large number of defaults during the crisis where financial institutions and corporations faced great difficulties in repaying contracts on time. As a result, bad debts increase sharply and all or most of the total banking system capital is exhausted. This situation may be accompanied by decrease in asset prices (such as equity and real estate prices). In some cases, the crisis is triggered by depositor runs on banks, though in most cases it is a general realization that systemically important financial institutions are in distress.

A large number of banks, in particular US American banks and European banks, experienced large losses directly or indirectly due to the devaluation of securitized mortgage loans at the same time in 2007 and 2008. The phenomenon has been described as bursting of the subprime bubble or very frequently as the "subprime crisis" or "US subprime mortgage crisis", the latter one to indicate the root cause of the crisis (Recklies, 2009). Laeven and Valencia (2008) called it "ongoing global liquidity crisis originated with the US subprime crisis". The crisis had major impacts on the economic system, from a loss of confidence between banks as well as from customers in banks, the latter caused so called "bank runs" 1 in UK and in Germany.Furthermore, it was possible to observe shortages on the dealing between banks in the market, bad impacts on the entire economy and finally the shifting of costs for government guarantees which has been offered to protect the banking systems of the respective country. Some researchers believe that the effectiveness of governments is one of the most crucial elements for interpersonal trust (Rothstein & Stolle 2008, Hardin 1998 and Levi 1998). A range of empirical studies has also shown the significant impact of government effectiveness on interpersonal trust (Kumlin & Rothtein 2005, Delhey & Newton 2005).

Many commentators and analysts believed that the economies of the GCC would be an oasis of calm in the on-going financial turmoil. We also tended to hear a great deal about the so-called "decoupling" thesis. This was the idea that the emerging economies would continue their recent strong growth despite the economic downturn in Europe and the United States (Al Maraj, 2008).

However, since the collapse of Lehman Brothers in mid-September, it has become clear that no part of the world will be immune to the current crisis. Bonn (2008) argues those systematic bank crises are no so uncommon, in different 120 countries worldwide bank crisis could be observed since 1980. The high quantity of crisis is confirmed by Laeven and Valencia (2008) who identify 124 systematic banking crises over the period 1970 to 2007 2.

What began in September 2008 as a crisis in the US real estate market – the so-called "sub-prime" crisis – earlier in this year has turned into what we began to call the "Credit Crunch". The losses that US and European banks suffered as a result of their exposure to sub-prime assets reduced their capital and their ability to lend. The collapse of Lehman Brothers in mid-September 2008 moved the financial crisis into a new and much more unpredictable phase. The immediate effect was a strong demand for liquidity in the main international financial centers, and by the large international banks. There was a huge rise in risk aversion in financial markets, reflected

[1] Diamond (2007) defines bank run as a situation when too many depositors of a bank try to withdraw their money, because they expect that the bank might be insolvent and therefore have no trust in this bank any longer. The bank run generates a momentum of its own, which can be described as a kind of self-fulfilling prophecy: The more customers withdraw their deposits, the probability of a bank default increases, and this including information about the increased level of withdraws - encourages further withdrawals. This can destabilize the bank to the point where it faces bankruptcy.

[2] Bonn (2008) does not present a specific definition of the term banking crisis. Laeven and Valencia (2008) describe a systematic banking crisis as a "a country's corporate and financial sectors experience a large number of defaults and financial institutions and corporations face great difficulties repaying contracts on time. As a result, non-performing loans increase sharply and all or most of the aggregate banking system capital is exhausted".

in a variety of indicators, including a rise in risk premiums – the margin that financial intermediaries demand for holding riskier assets – and sharp falls in global stock markets (Al Maraj, 2008).
For the purpose of this research a framework by Bonn will employed to explain a banking crisis. Bonn (2008) stresses that most banking crises are characterized by a typical master-pattern and that the current banking crisis fits into this pattern (see appendix A).
However, each banking crisis has separate characteristics including specific conditions that have change over time. The changes in the conditions of financial markets represent the initial point for the banking crisis 2007/2008.
Due to an increasing level of competition, banks were able to gain or to protect market shares only by accepting profit spreads that did not consider the risk profile of the underlying business completely (Recklies, 2009). Bonn (2008) argues that focusing financing on the real estate loans which is single market segment causes an accumulation of bad loans and has been observed as a main reason for banking crisis. In particular real estate markets are characterized by lack of shock rejection, debtor and loan security are exposed to the same shock when a “price bubbles” in these markets burst.
Furthermore banks did not create a suitable risk management system for their extended business activities. But instead of decrease the level of the risk and generating additional profits, banks had to accept additional risks without generating sufficient profits. This situation has been described as “arbitrage Fata Morgana” (Bonn, 2008).
In the light of the above and due the impact of the crisis to many countries, a lot of customers were taking their savings out of many banks. After that due to the regulatory requirements, i.e. (banks have to inform customers about the deposit protection, customers are aware that certain mechanisms are in place to protect their deposits). Customers can also rely on the system relevance of a bank as an attribute which considers bank’s business size and importance for the financial system. This approach is also referred to as “too big to fail” (Recklies, 2009).
That expresses that customers and business partners simply assume that if necessary the government, creditors and competitors will support a particular bank to avoid destroying systemic effects which would arise from any kind of bankruptcy or liquidation of a bank; hence it can’t be allowed to happen.

1.1. The Main Reasons of Financial Crisis:

❖ Greed is Bad:

Shareholder must be reminded that banks cannot generate returns on equity above certain percent without taking on significant levels of additional risk (i.e. loss). Major shareholders must be educated understand that with extra yield comes extra risk of loss. Shareholders may therefore have to make greater consideration of the level of loss they are able and prepared to take for a given yield and look at historic norms over 10 or 30 year period and carefully agree with their Boards upon their desire for risk relative to their desire for profit in their capital adequacy assessment plans, thereby explaining the amount of capital they need relative to the risks they are prepared to undertake.

❖ Remember Risk:

Assets that produce higher yields have higher risks attached. Banks must either put aside more capital to reflect these risks or set lower internal limits on the desired level of exposure to classes of higher risk assets. The evidence from subprime suggests that banks tend to stop asking about risk if the yield is good.

❖ Remember “Know Your Customer”:

Banks must “look through” to the underlying customers as they are the ultimate source of repayment. If a bank cannot identify the underlying customers, then the bank should not invest, no matter how good the yield is.

❖ Know Your Product:

Banks have recently begun to realize how little they understood the packaging process behind CDOs 3 in particular, and therefore how the price volatility of such products related to increasing mortgage default levels. Banks should not proceed in investing money in a product unless they understand the structure and the feature of that product (e.g. its volatility in earning relative to default levels).

❖ Remember Liquidity:

Such CDO and MBS 4 instruments were highly illiquid and not eligible for discount, or repo, or swap with central banks. Therefore when a bank is buying securities it should carefully consider the liquidity features of (and

[3] CDO's, or Collateralized Debt Obligations, are sophisticated financial tools that repackage individual loans into a product that can be sold on the secondary market. These packages consist of auto loans, credit card debt, or corporate debt. They are called collateralized because they have some type of collateral behind them.

[4] Mortgage-backed securities (MBS) are debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property. Mortgage loans are purchased from banks, mortgage companies, and other originators and then assembled into pools by a governmental, quasi-governmental, or private entity. The entity then issues securities that represent claims on the principal and interest payments made by borrowers on the loans in the pool, a process known as securitization.

existence of deep markets for) such securities, or otherwise ensure that they can afford to hold such securities to maturity (both from a liquidity and a capital adequacy perspective).

❖ There is no such thing as "Off-Balance Sheet"

Banks were increasingly parking real estate lending into off-balance sheet vehicles and thereby were able to leverage their loan portfolios to a far higher level than if they had kept these portfolios on balance sheet. Nobody was stress testing or running scenarios to see what would happen if they could not continue to use these structures.

❖ Never use models as a replacement for common sense and good practice:

To quote Mark Lynas (in his book "Six Degrees"); "Models don't do anything magical. All they do is solve physical equations. No one suggests they are perfect". This is a polite way of saying "Garbage in, garbage out". If models are based on heroic assumptions, they may be wrong in stress situations, or they may not be useful in a predictive capacity. However, too many risk managers and traders have been shown to rely on them excessively rather than using more traditional measures of risk, particularly where VaR [5] has allowed a bank to allocate less capital than the traditional credit risk approach. Models can be and should be tested, and when they break down, they should be discarded or treated with caution until they function again (normally after some amendment either to the maths or to the assumptions).

*1.2. **The Theoretical Impact of the Financial Crisis over the Banking sector In the Kingdom of Bahrain**:*

Valuation of property projects and banks' exposure to the real estate sector has been one of the most interesting issues of the current crisis in some of the GCC countries. However, in Bahrain there has been continuous forward-looking valuation of the real estate projects due to the initiative of the regulator. Back in December 2007, the Central Bank of Bahrain (CBB) had issued a consultative paper on banks' exposure to the real estate sector to assess the current situation. The Kingdom's rules on real estate funding are based on both qualitative and quantitative criteria. Banks operating in the country were allowed to allocate only 30% of their credit portfolio to the real estate sector. All these had helped achieving the objective of containing risk in this sector. Also, due to CBB's well regulated regime, banks in Bahrain are well capitalized (MoneyWorks, 2009).

In 2006, wholesale banks in the Bahrain were asked to increase capital by a minimum of BHD100 million. Interestingly, CBB required that banks operating in Bahrain should maintain a capital adequacy ratio of 12%. In 2008, banks in Bahrain averaged 19%. This compares very well with the required capital adequacy ratio as per Basel II [6] of 8% for banks.

Bahrain hasn't taken any strong corrective measures during the current crisis. There have been hardly any cases of bailouts or huge capital financing in the financial system except for a few investment banks (MoneyWorks, 2009).

Khalid Hamad, executive director, banking supervision, CBB, puts the Bahraini picture into perspective, when he says: "It is wrong to say that we are not affected, but the magnitude is different and Bahrain's banking sector is quite flexible to that extent." Out of a total of 410 licensed financial organizations (which include banks, financial institutions, insurance companies, investment banks, etc). Bahrain has not reported a single bank failure during the crisis, according to Hamad, A handful of banks that reported losses during the crisis and had exposure to toxic assets have already been taken care of (MoneyWorks, 2009).

The CBB has so far injected just US$150 million into the banking system. This compares favorably with some of the larger amounts injected by other regional central banks and governments into their respective banking systems. According to Hamad, certain criteria adopted by the CBB have helped the Bahraini financial sector to better weather the economic storm. The already existing regulatory framework, 35 years of proactive role by the CBB, regular inspection and assessment of the banks by the CBB are some of the important ones, he notes. In addition to these, a number of different measures have been adopted, such as recruitment of consultancy firms to assess local banks' risk management frameworks, focused compliance process with regular follow up, corporate governance run by rules rather than by codes, etc., have ensured the smooth working of the banking sector, he adds.

Rather than addressing the causes of this crisis in details, in this study we want to concentrate on the solutions, and focus on one particular aspect of this debate. It is clear that many people all over the world have lost faith and

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[5] VaR or ***Value at Risk*** *is* technique used to estimate the probability of portfolio losses based on the statistical analysis of historical price trends and volatilities. VaR is commonly used by banks, security firms and companies that are involved in trading energy and other commodities. VaR is able to measure risk while it happens and is an important consideration when firms make trading or hedging decisions.

[6] Basel II is an international business standard that requires financial institutions to maintain enough cash reserves to cover risks incurred by operations. The Basel accords are a series of recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision (BSBS). The name for the accords is derived from Basel, Switzerland, where the committee that maintains the accords meets.

trust in banks and in the financial services industry in general. Many banks have recorded massive losses, unseen in decades of corporate history.
But the lack of trust is not only due to bad performance. Unfortunately for bank managers, there is more to restore than the financial performance of their organizations. Although improved performance is critical to image management, it cannot be the only alternative for re-establishing the credibility of the industry.
Overall, there is a deeper distrust between the public and the financial services industry. The public has experienced an imbalance, where the industry holds the lion's share of power and is able to make decisions and take risks in ways that have a great impact on its stakeholders. More profound attempts are needed to rebuild the image of the financial industry. These efforts should be focused on rebuilding real trust. Therefore, what is trust and what is the process to develop and maintain it in business relationship.

2.2 Trust

Since long time the meaning of trust had primarily gained attention from philosophers, sociologists and psychologists at institutional level (Recklies, 2009). Despite this attention, trust remains an under-theorized, under-researched, and therefore, poorly understood phenomenon (Child, 2001). Wang and Emurian (2004) summarize that numerous researchers have evidenced the difficulty to defining trust. Opposite to this Fukuyama (1995) sees the community aspect and defines trust as "the expectation that arises within a community of regular, honest, and cooperative behavior, based on common shared norms, on the part of other members of the community".
Rousseau et al (1998) summarizes that the two components "confident expectations" and "a willingness to be vulnerable" are common in trust definitions within the literature. Schoormann et al (2007) sees trust as an aspect of relationships with dispositional characters. In terms of social phenomena trust is a conception with many meanings. Due to the results from early research trust was specified as expressions of confidence in intentions and motives of the opponent (Deutsch, 1960).
More recently trust researchers focus more on behavior. Trust in this context focus on one party's expectation of the behavior of the counterpart. In the last decade business managers, economists and management researchers appear to have increased in the study and management of trust (Girmscheid and Brockmann, 2005). Trust has been subject of study across numerous different disciplines, i.e. psychology, sociology and business. From a perspective of social relationships, social research argues that trust can be held by individuals, social relationships, and social systems. Furthermore it is stated that modern society would not be possible without trust (Lumsden and Mackay, 2006).
The psychological trust research puts an emphasis on individual personality and interpersonal relationships. Business studies of trust have identified benevolence and creditability 7 as essential factors for trust building (Ganesan & Hess, 1997).
Defining the concept of trust is difficult. This is due to the fact that this subject is somewhat vague and complicated to define (Mcknight and Chervany, 2002), and has a dynamic and multifaceted character (Lewicki and Bunker, 1996). Although, trust has different meanings from the perspective of various disciplines (i.e. psychology, of disciplines, every discipline has its own understanding and concepts in defining trust, and consequently, there is no consensus on its definition (Lewis and Weigert, 1985; and Young and Wilkinson, 1989). For example, Morgan and Hunt (1994) explained that trust exists when one group has the confidence to engage in a relationship with another trustworthy and honest party. This definition is in line with the one proposed by Moorman et al., (1992), where trust is defined as the willingness to engage in partnership.
The elements of confidence and reliability from both parties are crucial in building trust. Furthermore, Moorman et al., (1993) explained that trust has two approaches. First, trust is defined as belief, confidence, or where there is an expectation on a trusted partner who has expertise, reliability and intentionality. Second, trust is also perceived as the intentional behavior or the behavior that reflects partner's trust, and it involves the element of uncertainty and vulnerability on the party who is trusting. Similarly, Garbarino and Johnson (1999) defined trust as customer confidence in the quality and reliability of the services offered by the organization.
Because trust is all about this ability to rely on someone or something to deliver the outcome we want, it then becomes a critical part of all our interaction and relationships, in our business and working lives as well as in our personal lives.
If the specific outcome we want is not delivered, that is when we start saying things like, "they can't be trusted", "she broke my trust", "I can't trust this work". We have all thought this way at some point in our lives, and those thoughts are accompanied by feelings of disappointment, annoyance, bitterness and even anger. In your business, every employee, every manger, every customer, every potential customer, every shareholder is constantly going through a process of assessing whether they can trust in you, your company and your products or your services.

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[7] Benevolence can be defined as the belief that the vendor has good intentions and will behave in good manner, also in the absence of existing commitment. Credibility can be defined as the belief that the vendor has the required capacities to complete the task.

For the purpose of this research the trust definition of Curall and Inkpen (2006) will be employed: Trust is the decision to rely on another party (i.e. person, group, or organization) under a condition of risk. This definition can be applied to persons, groups as well as organizations. These three different types of entities are capable of making trust decisions; furthermore they exhibit the measurable actions that follow from such decisions. This definition sees different layers for trust: an inter-personal level, an intergroup level, and an inter-organizational level. Furthermore these levels are essential to understand trust development in retail banking, when customers rely on the recommendations and competence of their bank consultants.

2.3. Definition and Characteristics of Retail Banking Business:

In last decade we noted that the term “retail” had link with banking sector automatically. We can say that it is the exactly description used within the banking industry for services that focus on providing services to consumers. Retail banking typically focuses on consumer oriented banking and financial service products, including checking, savings, deposits, money market instruments, residential home loans and business loans. Retail banks are typically located in areas that are accessible and convenient to service a broad base of prospective and existing customers. Retail banking business is characterized by a high number of customer relationships, a high repetition rate of identical customer processes as well as by a large number of services rendered annually.

Some researchers mentioned that corporate image is a very important factor of trustworthiness (Mukherjee and Nath, 2003). Ba (2001) explained the impact of reputation on trust as where customers felt discouraged to commit to a bank when they feel that the bank had a bad reputation. It appears that when a customer trusts a brand, that customer is also likely to build a positive behavioral attitude towards the brand (Lau and Lee, 1999).

Therefore, in order to achieve success retail banks should consider what attracts customers to a particular bank and what customers do value in doing business with it. Products, channels, service levels and bank’s brands can be utilized to achieve a unique selling position. They do not exist for themselves, they should play a part in which they support the competitive position of the bank and enhance the bank to meet customer expectations within the different customer segments. To fulfill expectations it is necessary to create sustainable advantages.

Schierenbeck (2003) argues that such advantage exists when customers value a company higher in their perception in comparison to other companies. According to him retail banks can offer their services better and/or faster and/or cheaper in comparison to their competitors.

Currently, technological changes are causing banks to rethink their strategies for services offered to both commercial and individual customers. Moreover, banks that excel in quality service can have a distinct marketing edge since improved levels of service quality are related to higher revenues, increased cross-sell ratios and higher customer retention (Bennett and Higgins, 1993), and expanded market share (Bowen and Hedges, 1993). Moreover, the banks understand that customers will be loyal if they can produce greater value than competitors (Dawes and Swailes, 1999).

In addition, higher profits will be earned by the banks if they can position themselves better than their competitors within a specific market (Davies et al., 1995). Therefore, banks should focus on service quality as a core competitive strategy (Chaoprasert and Elsey, 2004). It is indeed true that delivery of high-service quality to customers offers firms an opportunity to differentiate themselves in competitive markets (Karatepe et al., 2005).

In contrast, high quality of service leads to customer satisfaction and loyalty and greater willingness to suggest and or recommend to someone else, reduction in customer complaints, and improved customer retention rates to a great extent (Bitner,1990; Headley and Miller, 1993; Zeithaml et al., 1996; Danaher, 1997).

In recent years, academicians and practitioners have given more attention to this area as it assumed that service quality is a critical measure of firm performance (Lasser et al., 2000; Yavasand Yasin, 2001; Bick et al., 2004; Andreassen and Olsen, 2008 and Liang et al., 2009).

Frei et all (1995) stress the importance of trust and quality: “In fact banks may require higher levels of precision than their non-banks competitors: one source of advantage over other kinds of organizations lies in the trust consumers place in banks to handle their assets effectively”.

Trust in precision is a critical success factor for two reasons: Bank customers may be willing to a pay a premium for what they perceive to be precision to their needs, i.e. reliable and fair consulting or exact answers to their questions. Since competitors may match prices quickly and may copy products quickly, precision in operations can be a tool to protecting market share (Recklies, 2009).

Competence can help the bank to increase customer’s trust in the bank and to improve their processes; hence retail banks have to manage their competence in order to establish better services for their customers. But banks also have to consider that it is not enough to create a subjective impression of superiority; this superiority needs to fulfill an objective assessment in principle (Recklies, 2009).

Moreover, the immateriality of banking products causes specific conditions for supply, production and sales in comparison to tangible products. It is not possible to store banking products.
Since the customer is involved in the production process, a banking product can only be produced at the point in time when a customer demands for this product. As a result banks need to last organizational capacities ready to satisfy expected levels of customer demand in a specified time frame.
Trust and satisfaction are correlated and lead to more loyal customers with potential business growth. The significant impact of trust and satisfaction on the continuity of the banking relationships has been confirmed by different studies (Deloitte and the Vlerick Leuven, 2010). Marketing authors agree that trustworthy relations create deep loyalty, as trust is the glue that holds a business relationship through good and bad times. In addition, the relationship between trust and customer loyalty is significant and supported by a number of researchers (Lim and Razzaque, 1997; Garbarino and Johnson, 1999; Singh and Sirdeshmukh, 2000; Ba, 2001; Choudhuri and Holbrook, 2001; Sirdeshmukh et al, 2002; Rexha et al, 2003; and Flavian et al, 2006). The function of loyality is equals to: Loyalty = f (Trust; Satisfaction).
Customer loyalty continues to be the problem of retail bankers' existence. Over the last decades bankers have experimented with a multitude of programs and plans to strengthen customers' bonds of loyalty to their institutions which have very big impact in maintaining trust in retail banking. Throughout this period, perhaps the most frustrating challenges for retail bankers have been designing programs that have a discernible impact on loyalty, determining an appropriate level of rewards, and find standards and metrics for measuring loyalty. Many retail banks have explored the path of least resistance, limiting their loyalty efforts to product specific programs or simple date-based recognition programs (MEB 2008).
Customer loyalty is truly vague concept for many bankers. Indeed, it can be argued that the reason so many bankers struggle with developing, deploying, and measuring customer loyalty programs is that there is little agreement among bankers as to what behaviors form customer loyalty and how best to encourage these behaviors (MEB 2008).
The lack of agreement among bankers makes customer loyalty programs unclear and often unproductive. Further complicating the discussion is the fact that too many retail bankers still confuse customer loyalty with two distinct, yet closely related concepts: customer satisfaction and customer retention. The following definitions intend to clarify the interrelationships among these three concepts:

❖ Customer Loyalty: A customer's show of close adherence to an institution (or merchant) despite the occasional error or indifferent service. As the definition implies, having entered into a business relationship with a financial services institution, the customer maintains and continues the relationship. In this view, customer loyalty is an attitude or behavior that customers show, in which leads to increase the level of trust between the customers and the bank (MEB 2008).

❖ Customer Satisfaction: A customer's perception that his or her needs, wishes, expectations, or desires with regard to products and service have been satisfied. Again, it is an attitude or behavior that customers vocalize or show. The implication is that the financial institution is consciously and proactively able to meet the numerous expectations of its many customers (MEB 2008).

Unfortunately, customer satisfaction is no guarantee of retention or loyalty. The relationship between customer satisfaction and customer loyalty is significant. This means that customer satisfaction affects loyalty; this is consistent with the past studies (Bolton and Drew, 1991; Fornell, 1992; and Anderson and Sullivan, 1993) where researchers have found a positive correlation between customer satisfaction and loyalty.

❖ Customer Retention: The ability to hold on to customers over time. Unlike customer loyalty and customer satisfaction, which measure aspects of the relationship from the customer's perspective, customer retention is a direct measure of the institution's ability to maintain relationships with customers (MEB 2008).

Customers that remain in a long-term relationship with a banking institution while holding the bank in relatively low esteem are simply trapped, not loyal. The challenge for the bank is in understanding the degrees of loyalty that exist among customers and designing loyalty programs that can address the loyalty gaps. In the interests of building healthy, long-term, mutually profitable, and satisfying relationships, bankers need to understand the connection between retention and satisfaction and how they interact to encourage customer loyalty. Customer retention should not be used as a convenient alternative for customer loyalty.
In addition to the above, we can say that focusing efforts on increasing customer satisfaction and bridging the gap between real services versus expected service, banks will enhance the customer experience. This in turn will help build customer loyalty and trust.

2.4 Relationships between trust, risk and retail banking:

Trust involves two principal concepts: reliance and risk (Fu, 2004; Curall and Inkpen, 2006). Reliance can be defined as action trough which one party permits its fortune to be decided by another party. Reliance has its fundament on positive expectations of another party’s trustworthiness (Rousseau et al, 1998).

They also imply a reciprocal relationship without implying causality and argue that risk creates the opportunity for trust, which would lead to risk taking. Mayer et al (1995) on the other hand imply causality without being clear about the direction of the causality and argue that “it is unclear whether risk is an antecedent to trust, is trust, or is an outcome of trust”. Risk can be defined as the potential that the trusting party will face negative outcomes, which might include loss or injury, in the case that the other party is untrustworthy (Luhmann, 1988; Sitkin and Pablo, 1992).

(Recklies, 2009) discuss trust in the customer-bank-relationship, and he mentioned that it is also essential to think about trustors and trustees at different levels. Since trust can refer to the individual’s expectations towards others, it can be seen as a personal trait. In the context of retail banking trust is presumed to reflect the customer’s experience in dealing with his bank consultant, i.e. “my bank consultant is a trusting soul”. Trust can also be a relational property, where is seen not as an attitude directed from the customer to the consultant, but as a constructed criteria of the customer-bank-relationship itself, i.e. “I trust my bank”. Trust can also be investigated as a feature of collectivities and reflects the collectivity’s conformance to certain normative expectations, i.e. “we all recognize that banks are trustworthy”.

Sapp et al (2009) define another type and call it “consumer trust” as a form of inter-personal trust and see a perceived bond between the trustee and a specific agent, i.e. “I trust banks”. Kelton et al (2008) highlights that the conceptual base of interpersonal trust are expectations of competent and reliable performance. In terms of banking business this form of trust can be described as the attitude that a customer holds toward banking products, such as an expectation of competence (i.e. financial expertise), goodwill, commitment to a future action (i.e. payback of capital), and ethical behavior (i.e. consulting on the behalf of the customer). Furthermore characteristics of the consultant such as likeability and similarity can play a major role in building trust between customer and bank.

Curral and Inkpen (2006) describe the existence of interplay of inter-personal, intergroup, and inter-organizational trust which transpires over time and name this “co-evolution of trust”. They argue: “Trust at one level will evolve over time and, in so doing, will serve as the organizational context for trust dynamics at other levels”. (Recklies, 2009) applied the model to retail banking, the trust interplay can be described as follows: The inter-personal trust between customer and bank consultant can serve as organizational context for the development of trust between customer and the entire retail bank. Furthermore this trust may diffuse public by fostering trust among various customer segments. When individual customers trust a retail bank, the stability of their relationship to the bank can lead to bank-organizational trust because these customers influence other customers. However, this trust has its origins in one-on-one relationships between customer and bank consultant.

3. Methodology

The current study attempts to enhance our understanding toward the factors that affect customer trust toward retail banking in Bahrain. The study underpins various factors such as global financial conditions, domestic financial conditions, the bank reputation and classification in the market, political factors, strength of the customer loyalty and the customer satisfaction. To accomplish that, the study attempts to achieve the following objectives:

1- Exploring individual profiles who are depositing their fund in the Bahraini retail banks.
2- Exploring factors that affect the customer trust in Bahrain retail banks.
3- Investigating the rational/Irrational behavior of customers when their trust is affected in the retail banks.
4- Address how people lose their trust toward their local banks and prefer to invest their money in any kind of profitable enterprise rather than invest in banks with lack of trust.

2. The research questions:

Related to the study objectives, the study attempts to answer the following primary questions:

1- What are the profiles of Bahraini retail banks customer?
2- What are the factors that affect the trust of Bahraini retail banks customers towards their local banks?
3- What are the most important factors that affect customer trust in retail banking?
4- Are Bahraini customers more rational or emotion affected by their trust decisions?

3. Research hypothesis:

Based on the literatures presented in chapter 2, the study develops six hypotheses to underpin factor that affect people trust in the retail banks, these factors are related to global financial conditions, domestic financial conditions, the bank reputation and classification in the market, political factors, strength of the customer loyalty and the customer satisfaction. The following figure presents the theoretical framework and research hypotheses.

The research hypotheses are:
H1: Global Financial Conditions effects on individuals trust towards retail banking.
H2: Domestic Financial Conditions effects on individuals trust towards retail banking.
H3: Bank Reputation and Classification in the market effects on individuals trust towards retail banking.
H4: Political factors effects on individuals trust towards retail banking.
H5: Strength of the customer loyalty effects on individuals trust towards retail banking.
H6: Customer Satisfaction effects on individuals trust towards retail banking.

Research design:
Previous literatures and studies suggested that a study should have a clear plan to answer the precise research questions and hypotheses presented by the research (Saunders et al.,2000). Similarity, Yin, (2003) revealed that a research design is the logic of collecting data to specifically answer a research questions. This logic thus should support the researchers to empirically test the presented questions and hypotheses (Yin, 2003; Mouton, 2002).

Previous literatures explained that there are two types of research designs to select when conducting a study, quantitative or qualitative design (Hair et al., 2006). Qualitative and Quantitative approaches often used in social science research studies (Zikmund, 2000; Churchill et al., 2002). The choice of a research design depends on the research problems (Hair et al., 2003).

The Qualitative Design underpins the importance of looking at variables in the natural context where it can be found. To qualitative approach, the interaction between variables is essential. Qualitative research involves non-numerical examination and interpretation for the purpose of explaining the underlying phenomena (Zikmund, 2000). Qualitative design collects data through open-ended questions that provide direct quotations, while the interview is the main method of the investigation (Yin, 2003).

On the other hand, Quantitative Design focused on determining the relationship between variables. Data gathered through survey provided numerical evidence that should answer the hypothesis or the question of the study (Zikmund, W.G., 2000). Quantitative approach deemed as the most effective way to address research hypothesis. Quantitative approach used when the study considered a great closeness to the respondents, their usage and perspectives (Yin, 2003).

This study carries out many hypotheses and questions that need more flexible research design. Due to the nature of this study and hypotheses presented, the study used quantitative research design to answer research questions and to test research hypotheses. The study thus uses questionnaires to collect numerical data. we did not use Qualitative design because it is inflexible, more time consuming and less generalizable (Yin, 2003). Quantitative design approves to overcome these three difficulties (Yin, 2003).

Previous studies explained that any research can be categorized into different types depending on the nature of the purpose or research problem (Zikmund, 2000; Saunders et al., 2000; Yin, 2003). Three purpose have been identified; exploratory research, descriptive research, and explanatory research.

Exploratory Research is conducted when the nature of the study is not clear (Zikmund, 2000), exploratory study thus aim to clarify and research a better understanding of the nature of the problem. Researcher argued that exploratory research is more flexible and adaptable to change and this have advantageous among other purposes (Saunders and Thornhill, 2003).

Descriptive research is conducted when the purpose is to describe various issue sounding the problem presented (Zikmund, 2000). In addition, Zikmund stressed that descriptive study adapted only when the research problem is well recognized, however the researcher is not fully aware of situation.

Explanatory Research adapted to investigate a problem or phenomena by establishing causal relationship among variables (Saunders et al., 2000). This type of research sometimes referred to as causal research (Zikmund, 2000).

The purpose of the study is explanatory in its nature, this because that the topic individual's behavior is well understood due to the availability of previous studies and literatures. Moreover, related to the questions and hypotheses presented, the current study attempts to describe various factors that affects and influence people trust feeling towards retail banks in Bahrain. Explanatory purpose is important to investigate the relationship between the identified variables of the study. The study will also use descriptive purpose as to assist the main purpose of the study. Descriptive purpose implemented to describe various demographic and personal characteristics of retail banks customers.

For the purpose of data collection, questionnaire method has been adapted. The data collection instrument is 3-pages self-administrated questionnaire, which was consisting of three sections (see Appendix B).

The first section of the questionnaire included the respondents profile and characteristics. The survey asked respondents about their gender, Income, education, work and age. Moreover, in the second section the survey asked respondents general questions that is useful for our research analysis.

Finally, the last section of the survey asked respondents about various factors that affect their trust decisions in the retail banks. Six factors have been developed from previous literatures and from engagement and personal interviews with customers in Bahrain, these factors are:
Global financial conditions, Domestic financial conditions, Bank reputation and classification in the market Political factors, Strength of the customer loyalty and Customer satisfaction
Using a 5-points Likert-type scale, respondents rated their agreement from (1) "Strongly Disagree" to (5) "Strongly agree". The above mentioned factors deemed to have great effects on individuals trust if the Mean (Average) value was between 4 and 5. While, If the mean value was between 1 and 2, they were deemed to have little affection to people trust. A mean value that equals 3 was considered to have average (moderate) effect on people trust towards retail banks.

Validity and Reliability:

Validity is a significant element for any research project because it is concerned with whether the finding are "really" about what we intended to measure (Zikmund, 2003). On the other hand, literatures defined Reliability as "the degree of which a study generates the same result on different occasions and by different researchers" (Saunders et al., 2000).
Reliability also defined as "the internal consistency of scale that assesses the degree to which the items are constant and homogeneous" (Zikmund, 2000). It is very important to measure the reliability of the study variables before conducting statistical test or analysis. As the current study carryout six variables, then measuring a construct before performing statistical analysis important to ensure that the variable are reliable and valid.
Previous studies suggested that a study should conduct various tests to ensure the developed questions/items for each variable are consistent and are intended to measure the variable (Cronbach's and meehl, 1995). Therefore, to test the internal consistency of the study variables, Cronbach's alpha test has used. Cronbach's alpha "is the average of all possible split-half coefficients resulting from different ways of splitting the scale items" (Malhotra, 2004). The coefficients vary from 0 to 1 and a value of 0.67 or more indicates satisfactory and appropriate reliability (Sekaran, U., 2003, P. 311) .
According to Pallant (2001), only a coefficient alpha of scale above 0.7 is constructing with valid measurement.
Similarly, other studies suggested that coefficient alpha near 0.9 represent highly consistent scales, while those nearing 0.7 reflects a more moderate level of consistency, whilst alpha values below 0.3 indicates that the items have little in common (Nunnally, 1994). Therefore, the current study considers coefficient alpha of 0.67 as the minimum cut of point to the construct reliability.
Studies suggests that to enhance the coefficients alpha, a study should delete some items that scored negatively when a variable scored value less than 0.67; however, if the coefficients value did not reach the minimum cut-of-point then it should be omitted (Zikmund, 2000; Hair et al., 2006). As presented in table (1) , the lowest coefficients alpha scored in this study is 0.67, which equal to the recommended cut of point. As results, we can say that the questions used in this study were reliable and acceptable.

Table 1: reliability Cronbach's alpha test results

Factors :	No. of Questions	Alpha
Global Financial Conditions	5	.775
Domestic Financial Conditions	4	.811
Bank Reputation, Performance and Classification	4	.670
Political Factor	2	.912
Customer Loyalty	4	.756
Customer satisfaction	4	.691

It is important to check the validity and reliability of the data collection instrument before the distribution process. To ensure the validity and reliability of the data collection instruments and its procedures, the questionnaires of this study will send randomly to twenty respondents and their answers will be evaluated. After that the necessary corrections and amendments will be done before the real distribution take place.

Study sample:

Using purposive and convenience approach of non probability sampling method, we distributed 250 questionnaires among individuals who dealing with retail banks. We distributed the questionnaire using both email and in person approaches. Using the personal relationship and connections, the study attempts to enhance the respondent's rate. We assured to the participants that their personal information and responses will be used only for research purposes and would strictly be kept confidential.

Data analysis:

Statistical Package for Social Science (SPSS) used to analyze the result of the questionnaire (see Appendix C). The study implements various statistical tools such as Descriptive analysis. Descriptive analysis is the use of means, frequencies, and standard deviation to describe the sample characteristics and their profiles or the study variables.

4. Data Analysis and Testing

This chapter presents the data analysis of the questionnaires. It starts with the methods used to collect information from respondents; how they approach and the response rate. The chapter covers two main areas: The first axis is about descriptive statistics of the variables of the study through several statistical and descriptive measures, the second axis is about testing hypotheses of the study and answer questions that relate to the study directly.
The study used purposive and convenience approach of non probability sampling method to explore the main factors that affect Bahraini customers trust towards retail banks, and collect valuable information about Bahraini customers. We distributed 250 questionnaires among individuals who deposit their fund in the retail banks. These individuals are assumed to be relevant to reveal factors that affect Bahraini retail Banks.
We distributed the questionnaires using both emails and in person approaches. Primarily, we distributed 130 questionnaires in person; however, only 106 questionnaires were usable. Along with that, we distributed 120 emails to our acquaintances that participated in the retail banks investment. The emails received were only 97 out of the 120. In total the usable questionnaires received were 203, and to reach for a simple figure of 200, I have randomly eliminated three of the questionnaires. The total response rate was: response rate (106+97) / (130+120) = 81.2%.

Descriptive statistical analysis:

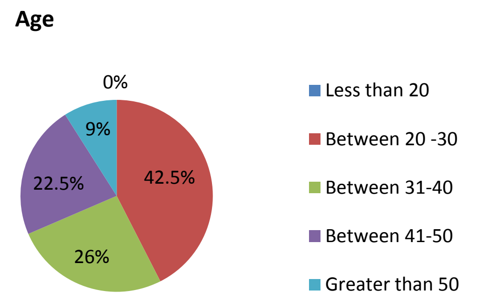
1- Respondent's personal information

Table 2: Respondents' personal information

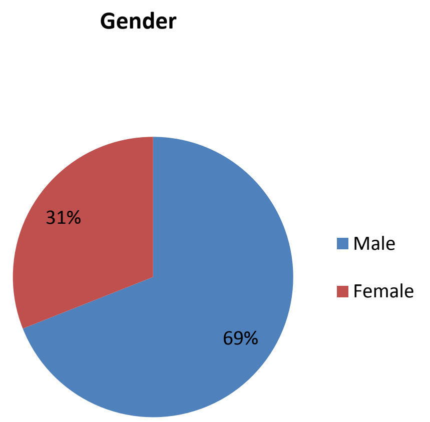
Sample Characteristics		Frequency	Percent
Age	20-30	85	42.50%
	31-40	52	26%
	41-50	45	22.50%
	Greater than 50	18	9%
	Total	200	100%
Gender	Male	138	69%
	Female	62	31%
	Total	200	100%
Education	High School	23	11.50%
	Diploma	77	38.50%
	Bachelors	92	46%
	Master or PhD	8	4%
	Total	200	100%
Work	Private Sector	93	46.50%
	Public Sector	61	30.50%
	Self-employed	39	19.50%
	Other	7	3.50%
	Total	200	100%
Experience	1-5 years	59	29.50%
	6-10 years	32	16%
	10 years and more	106	53%
	Other	3	1.50%
	Total	200	100%
Income	BD 500 or less	36	18%
	501-1000	132	66%
	1001- 2000	27	13.50%
	Greater than 2001	5	2.50%
	Total	200	100%

Age:
In this study, the respondents to the questionnaire were all Bahrainis. These respondents represent various jobs in the economic sectors, experience and educational background. As shown in the table above, ages for the respondents can be groped as follows: 42.5% are between 20 to 30 year old which is the largest frequency upon others, 26% between 31 to 40 year old, 22.5% between 41 to 50 year old, and finally, 9% above 50 year old.

Respondent's age frequencies

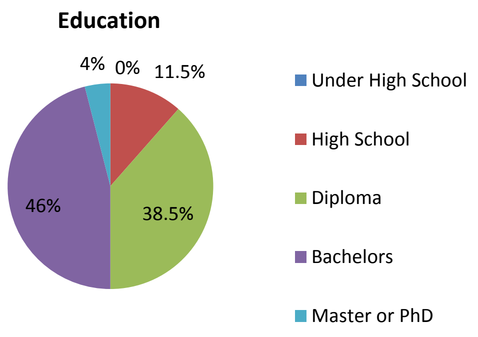


Respondent's gender frequencies

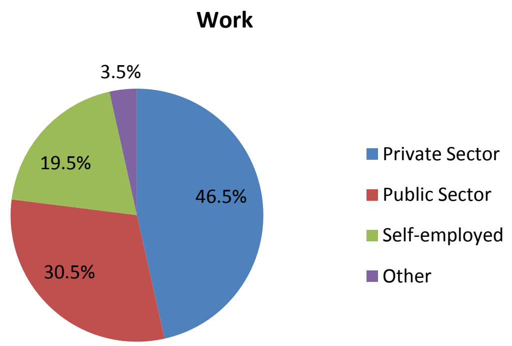


Gender:
With regards to the gender, respondents can be grouped at 69% Male and 31% female. As shown in the pie chart, the data reveals that the percentage of males is almost more than double of the percentage of females. The unbalanced percentage is due to the few female depositors in the retail Banks. Perhaps, this fact is primarily due to the nature of women in spending rather than saving funds at the banks.
Education:
The respondents' educational background frequencies are as follow: 46% are undergraduate, 38.5% have two years college diploma, 11.5% are high school certificate and 4% postgraduate qualification. Thus, the results reveal that most of depositors have good educational level; since 50% of the respondents have undergraduate and post graduate degrees. Consequently, the depositors' behavior thus expected to be rational as individuals have sufficient knowledge and high degree awareness about the retail banks rules and regulations.

Respondent's work frequencies

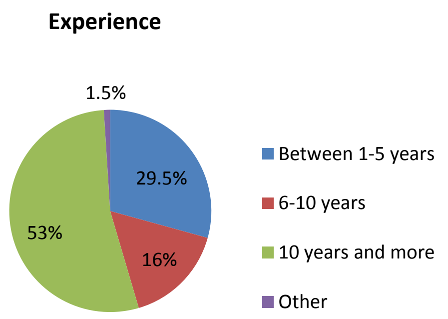


Respondent's education frequencies

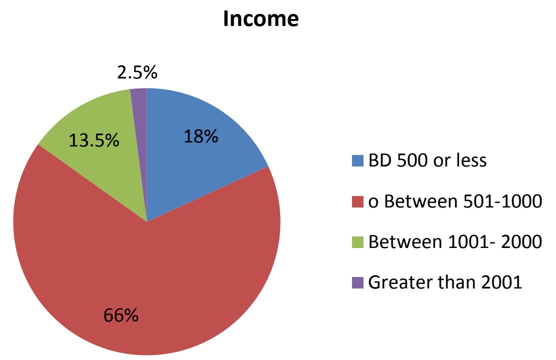


Work:
Based on the results in the above table, respondents are divided into four categories based on their sectors of work; 46.5% are working in the private sector, 30.5% are working in the public sector, 19.5
3.5% are retired or unemployed. The results also reveal that more than half of the Bahraini customers work at the Private sector. This might be because of the higher salaries and the incentive bonuses the private sector offers to their employees; that lead them to involve in different type of banking product.
Experience:
Regarding to the respondents' years of experiences, the results show that: 53% have from 10 years or more of working experience, 29.5% have from 1 to 5 years working experience, 16% have from 6 to 10 years work experiences, and 1.5% are considered unemployed people or housewives. This might be explained that people who have long years of experience have more life experience which enable them to shift their deposits to other type of safer investments or activities that keep them in safe side in their consideration.

Respondent's experience frequencies



Respondent's income frequencies



Income:
Finally, respondents income classifications are as follow: 66% their income are between BD 501-1000, 18% with income of BD 500 or less, 13.5% their income range between BD 1001-2000 and 2.5% with income of more than BD 2001. This can be noticed that the average respondents' salaries are between 500-1000.

2- General Questions:

Table 3: General Questions

Questions	Percent	Mean	Standard Deviation
1- Did your trust level changed after the Global Financial Crisis toward the retail banks?	o Yes 35.5% o No 25.5% o Not sure 39%	1.10	.777
2- How do you rate the current performance of the retail banks?	o Excellent 3% o Very good 31% o Good 66% o Poor 0%	1.37	.543
3- Which type of retail banks do you think is safer?	o Islamic Banks 39% o Conventional Banks 61%	1.61	.489
4- Do you think that it is better to find new ways of investment other than the regular bank deposits?	o Yes 44.5% o No 32% o Not sure 23.5%	1.13	.868

As shown in the above table, respondents asked if their trust level towards retail banks was affected by the recent financial crisis. The result showed that 25.5% said No, 39% from them are Not sure, and 35.5% said Yes. To establish the statistical testing for this portion, weight for the answers was given: No=0; Not sure=1; Yes =2. After that, If we compare the weight with the mean, the mean in this question is =1.10 which reveals that it is between the affection area; this is evidential that the trust level was changed after the crisis. In addition, we know that Standard Deviation measures the difference in the views of the sample and if it is greater than 1, this means that there is big difference in the views. In our question we found that Standard Deviation = .777, this means that variation of sample is less than 1 and there is no big difference in sample views.In addition, Bahraini depositors asked to rate the current performance of Bahraini retail banks. The results revealed that 66% of the answers were Good, while 31% rate was for Very Good. This can be explained that many of retail banks in Bahrain are recovering from the consequences of the crisis.
Moreover, respondents asked about which type of banks they think is safer. The result showed that 61% chose for conventional banks and 39% for Islamic banks. This might be explained that people still did not trust Islamic banks transaction due to lack of understanding and believing in these banking transactions. Add to this, when customers are unwilling to trust Islamic banks, they are also unwilling to be loyal. At the same time, when customers believe that the operations of Islamic banks are truly concerned with Islamic principles, the intention of customers to switch to other banks is minimized. This means that there is trust in the hearts of Muslim and non-Muslim customers towards Islamic banks.
Finally, Bahraini depositors asked if they think that it is better to find new ways of investment other than the regular bank deposits. The result shows that 44.5% says Yes, 32% says No and 23.5% are not sure. The mean and the standard deviation conclude that there is no big variance in sample answers and generally they are agree to find new investment ways.

Describe the views of the sample:

The primary question of this study is reveals depositors perception toward various factors that affect their trust feeling when they deposit their money in the retail banks. The study developed three factors from reviewing previous literature and studies, and the remaining three is from our expectation. This section thus intended to reveals respondent's perceptions toward these factors and to rate the most important of them that affect Bahraini customers trust. The section uses algorithm mean and standard deviation (SD) to describe various factors that affect Bahraini trust. The tables below shows the perceptions related to these factors.

Table 4: Global Financial Conditions		
A- Global Financial Conditions	Mean	Standard Deviation
Many retail banks had been affected by the latest Global Financial Crisis.	3.99	.871
I had changed my mind about my retail bank after the recent Financial Crisis.	3.28	1.047
I did withdraw my deposit from my retail bank during the Global Financial Crisis.	3.51	1.037
I always follow the global financial indicators and relate it to my local banking industry.	3.15	1.092
I think that any bad or good financial news taking place around the globe will ultimately affect my country's financial system.	3.25	1.096

Table (4) shows the results of the assessment of the sample to the effect of global financial conditions toward trust. Generally, all items in the table resulted more than (3) for the mean and the standard deviation for most of the items are above (1); this is indicates that there is variance in viewpoint of the sample regarding this factor, but the mean exceed (3) to stress the relationship between the global conditions and trust. Therefore, the majority of the sample agreed that many retail banks had been affected by the latest Global Financial Crisis, which indicates that customers still conservative in dealing with the banks which ultimately decrease the level of trust between the customers and banks.

Table 5: Domestic Financial Conditions		
B- Domestic Financial Conditions	Mean	Standard Deviation
I believe that my country government will take the necessary actions in case of any financial difficulties in the banking system.	3.7	1.023
My country banking system got affected by the latest Global Financial Crisis.	3.86	.937
I am fully satisfied with the measures taken by my country's Central Bank to minimize the effect of the Global Financial Crisis in the banking system.	3.35	1.092
I believe that whatever happens to other banks in my country, it will not affect my retail bank.	2.52	1.232

The second part of the proposed factors affecting the people's confidence towards the retail banks are domestic financial conditions; the table (5) shows that the most of the influential factors in the opinion of respondents are adequate encouragement from the governments and Central Banks side. In fact, this is to stress the significant intervention of governments and Central Banks in case of any financial difficulties that face the banking systems in any countries, this for maintaining and controlling the level of trust in the countries and encourages all citizen to invest in all type of banking sector and other financial sectors.

Table 6: Bank Reputation, Performance and Classification		
C- Bank Reputation, Performance and Classification	Mean	Standard Deviation
The best retail bank in my country determined based on the bank reputation among my family members and friends.	4.07	.874
My best bank is determined by their number of customers' base in the market.	3.23	1.049
I am always dealing with the oldest and well established retail bank.	4.28	.745
The bank's financial results are the most important indicator for me when I want to deal with a bank.	4.42	.697

Table (6) Proposed significant factors related to bank reputation, performance and classification. From this table, we note that most of items are more than (4) for the mean, and the standard deviations for most of the items below (1); which indicates that there is strong relationship between these factors and trust factor. Adding to this, the standard deviation indicates that there is very small variance in sample viewpoints, therefore, the majority of the sample emphasis the importance of bank's financial results, banks reputation and the recommendations from friends and family members to deal with any retail banks. This finding suggests that a good image is an important aspect for banks in sustaining their market position and creating a long-term relationship with customers.

Table (7), Proposed factors related to political situation in the country. As per the result of the mean and Standard deviation, it is clear to us that there is significant and strong relationship related to our subject. Moreover, it is well known to us that instability of political situations in the country lead to customers' fear to invest in the country. Therefore, many people resort in such situations to withdraw their savings and transfer them to other countries free from any political problem, provide them with more of psychological comfort.

Table 8: Customer loyalty

E- Customer Loyalty	Mean	Standard Deviation
The impact of the latest Global Financial Crisis affects my trust towards my retail bank.	3.27	1.036
I believe that my primary bank rewards me for the multiple products I hold.	2.71	1.083
During the Global Financial Crisis I have changed my main retail bank.	3.34	1.067
Changing my main bank will affect my cash and saving management.	3.16	1.178

As per table (8) regarding loyalty factor, we found that most of the means of all question are above the (3) by little and all of **(SD)** are more than (1). The variance in viewpoints of the sample and incidence of the mean by little after the middle reveal that a lot of retail banks in Bahrain did not applied the loyalty program to their customers in appropriate ways. In addition, based on our literature we found that loyalty program has become one of the most important factors that enhance the confidence between the customers and banking sector.

Table 9: Customer satisfaction

F- Customer satisfaction	Mean	Standard Deviation
My retail bank should provides me with safer products.	3.92	.895
My bank is providing me with a great convenience to conduct my banking transactions anywhere.	3.26	1.099
My retail Bank provides me with a professional customer services.	3.23	.974
The best facilities cost are provided by my retail bank.	2.81	1.034

The last table is related to satisfaction factor. Regarding mean and (SD) in table (9), we found that, in Bahrain , we are in middle level of satisfaction with regard to need for more safe products, professional customer services, convenience in conducting banking transactions and facilities costs, which led to low customers loyalty (see table 8). Moreover, trust and satisfaction are correlated and it will lead to more loyal customers with potential business growth. The significant impact of trust and satisfaction on the continuity of the banking relationships has been also found by different studies.

In short, the result reveals that the most four important factors that affect retail banking customers in Bahrain are political factor, bank reputation, performance and classification, domestic financial conditions and finally global financial conditions respectively.

TESTING HYPOTHESES BY USING ONE SAMPLE T-TEST:

One Sample T-Test:

One sample t-test is a statistical procedure used to examine the mean difference between the sample and the known value of the population mean. In one sample t-test, we know the population mean. We draw a random sample from the population and then compare the sample mean with the population mean and make a statistical decision as to whether or not the sample mean is different from the population. We can use this analysis, for example, when we take a sample from the city and we know the mean of the country (population mean). If we want to know whether the city mean differs from the country mean in some, we will use the one sample t-test.

Assumptions:

1. Dependent variables should be normally distributed.
2. Samples drawn from the population should be random.
3. Cases of the samples should be independent.
4. We should know the population mean.

Procedure:

Set up the hypothesis:

A. Null hypothesis: assumes that there are no significance differences between the population mean and the sample mean.

Table 7: Political Factor

D- Political Factor	Mean	Standard Deviation
The political situations in my country affect the local banking system.	4.33	.701
Instability in the political situations limits my dealing with the local retail banks.	3.98	.833

B. Alternative hypothesis: assumes that there is a significant difference between the population mean and the sample mean.

HYPOTHESES TESTING:

In hypothesis statistical decisions are made to decide whether or not the population mean and the same mean are different. In hypothesis testing, we will compare the calculated value with the table value. If the calculated value is greater than the table value, then we will reject the null hypothesis, and accept the alternative hypothesis.

The table below shows the results from the SPSS which we will comments on it in the next page.

Table 10: SPSS testing results

H	*Factor*	*Mean*	*T-Test*	*T -Table*	*Sig.*	**Support/ Reject**
H1	Global Financial Conditions	3.4330	14.166	1.645	.000	Supported
H2	Domestic Financial Conditions	3.3525	8.867	1.645	.000	Supported
H3	Bank Reputation, Performance and Classification	3.9963	33.098	1.645	.000	Supported
H4	Political Factor	4.1525	30.036	1.645	.000	Supported
H5	Customer Loyalty	3.1163	2.946	1.645	.004	Supported
H6	Customer satisfaction	3.3025	9.116	1.645	.000	Supported

Regarding the analysis we have three conditions must be realized to accept Ha:

1- Mean should be > 3.
2- T-test > T-table .
3- Sig. < (alpha = 0.05).

❖ **H1**: global financial conditions effects on individuals trust towards retail banking.

Table (10) shows that when we test the null hypothesis that there is no impact on the trust through global financial conditions which can be expressed by symbol $[H_0 : \mu = 0]$ Versus the alternative hypothesis that indicates that there is impact on the trust in retail banking as a result of global financial conditions which can be expressed by symbol $[H_1 : \mu \neq 0]$. It is seen from the table (10) that first condition shows the mean = 3.4330 which is greater than 3, the second condition shows that t-test 14.166 > t-table 1.645 and finally the last condition shows that sig. .000 < .05; accordingly to that all of conditions realized and we can reject the null hypothesis and accept the alternative hypothesis.

❖ **H2:** domestic financial conditions effects in individuals trust towards retail banking.

The second hypothesis, test the effects of domestic financial conditions on individuals trust towards retail banks. In addition, the null hypothesis that indicates no impact on the trust through domestic financial conditions and the alternative hypothesis that indicates that there is impact on the trust in retail banking as a result of this factor. In fact, we can see that all of our conditions realized and we can accept the alternative hypothesis and reject the null hypothesis.

❖ **H3**: Bank reputation and classification in the market effects on individuals trust towards retail banking.

The third hypothesis proposed that there is a relationship between bank reputation and classification in the market and the trust towards retail banks. According to the table (**10**) all of our conditions realized and we can accept the alternative hypothesis and reject the null hypothesis.

❖ **H4**: political factors effects on individuals trust towards retail banking.

The fourth hypothesis, test the effects of political factors on individuals trust towards retail banks. With regard to the null hypothesis it indicate that there is no impact on the trust through political factors and the alternative hypothesis indicates that there is impact on the trust in retail banking as a result of this factor. In fact, we can see that all of our conditions realized and we can accept the alternative hypothesis and reject the null hypothesis.

❖ **H5**: strength of the customer loyalty effects on individuals trust towards retail banking.

Table (10) shows that when we test the null hypothesis that there is no impact on the trust as a result of strength of the customer loyalty towards retail banks Versus the alternative hypothesis that indicates that there is impact on the trust in retail banking as a result of strength of the customer loyalty . According to the table (**10**) all of our conditions realized and we can accept the alternative hypothesis and reject the null hypothesis.

❖ **H6:** customer satisfaction effects on individuals trust towards retail banking.

The last hypothesis, test the effects of customer satisfaction on individuals trust towards retail banks. The null hypothesis indicates that there is no impact on the trust through customer satisfaction versus the alternative hypothesis that indicates that there is impact on the trust in retail banking as a result of this factor. In fact, from our

table we can see that all of our conditions realized and we can accept the alternative hypothesis and reject the null hypothesis.
In summary, we conclude that the six factors without any exception emphasize the effect on trust towards retail banks.

5. Conclusion and Recommendations

The final chapter of this study provides the summary conclusions drawn from the findings, recommendation, limitation of the study and area for future studies.

Summary and conclusion:

The financial crisis 2008 has violated the expectations and trust in the banking system including retail banks among customers in the world. Our study explain how this crisis that strikes the world in 2008 has greatly affected and changed the customer's trust towards retail banks in Bahrain and what is the other factors in general that affect trust in retail banks.

Due to the limited number of studies that have investigated the topic of customer's trust towards retail banks, the current study develop various research questions and hypotheses to reveals the experience of customers in Bahrain. The overall objective of this study is to gain knowledge about key factors that influence customer's trust towards retail banks.

The study conducted quantitative research designs. The methodology of this study was based on gathering the data though questionnaires as a primary tool of data collection. The purpose of this study is explanatory and descriptive in nature. The study underpins various factors such as global financial conditions, domestic financial conditions, the bank reputation and classification in the market, political factors, strength of the customer loyalty and the customer satisfaction.

From our questionnaires, customers in Bahrain revealed that the most important four factors that affect retail banking customers in Bahrain are political factor, bank reputation, performance and classification, domestic financial conditions and finally global financial conditions respectively. In addition, after testing our hypotheses we conclude that the six factors that we examined without any exception emphasizes the effect on trust towards retail banks.

In short, we can say that trust is a very important matter for retail banking: Before customers are willing to risk their capital in a financial transaction, they want to have appropriate assurance that they will receive the product what they closed the deal for; i.e. when customers deposit their money in a bank, they trust the bank not to fail and to pay back the money.

Financial products are very sensitive services, since customer cannot overview the bank's ability to offer the promised service at the time when they sign the contract. Customers have to trust the bank and its promised reliability. It also is impossible for the customer to check and compare the bank's ability in advance, since some of the products are not easy to compare.

We suggest that banks and Central Banks embrace the following action points in order to maintain and control trust among customers in retail banking:

In order to address the needs of all customers, a report on trust relevant issues can be issued to increase customer confident in the banking industry. The trust report can represent an option to consider the sustainability of bank's return and enhancing the reputation and bank image too.

Banks must consider legal requirements in order to protect customer deposits against financial losses. However, it is not possible to devise a regulatory system which can prevent any crisis. The legal conditions for this customer protection and the information requirements vary in different countries. Due to much information in the media customers have been become aware that bank and financial services are subject to supervision. They are also aware that certain legal instruments and processes have been put in place to protect them against financial losses when banks fall into bankruptcy. In most cases customers are not aware about the details of this deposit guarantee. Therefore, the banks should improve their ways to inform customers about the legal deposit protection.

This should include coordination in terms of definitions, i.e. which products are covered, as well as size and scope of the deposit protection to increase trust level among customer towards retail banks.

The Central Banks must ensure that financial system remain sound, stable and able to provide the credit that the domestic economy needs. The role of the regulator in addressing these challenges is critical. Central Banks should provide guidance and create the appropriate regulatory framework to enable the sound and stable conduct of financial services and financial institutions. Therefore, Because of the importance of banks deposits to both individual savers and to the wider economy, bank deposits are subject to a special form of protection in the event a bank becomes insolvent. This protection should be increased more than before to control the level of trust among customers, and it is usually referred to as deposit insurance.

Government should support the Central Banks in case of any financial difficulties related to political factors. In sum the government declaration for deposit protection and government's rescue package for banks were sufficient enough to stop a further increase in cash demand among depositors and to achieve normalization and maintaining trust among customers.

Banks should develop customer recognition programs that go beyond loyalty schemes, to offer loyal customers real savings on products after a number of years as a customer. There is need to express gratitude, recognize loyalty, and give real rewards. In addition, they should emphasize more on personal relationship between the employees of the banks and the customers. Finally, we can say that the introduction of more safer banking product, the reduction in the fees of the banks and the improvement of the service quality have great impact on customer satisfaction, hence increase the level of trust towards retail banks.

Limitation of the study:

The participants' answers are not completely reliable and accurate; some of them might complete it with no honest answer.

Time might be consumed by the participants.

Some of banks might refuse to cooperate due to their sensitive nature of work.

Finally, due to the second and third points the scope of this study was limited to customers in Bahrain. Therefore, this result cannot be generalized to other countries.

Suggestions for further studies:

This study examined six factors affect customers trust towards retail banks in Bahrain and not only include the factors investigated by previous studies , but also various factors that developed from the personal interviews with the customers in Bahrain. The study recommended future research to apply this research outside Bahrain. Moreover, we recommended future research to develop further factors influence Islamic retail banks only; this is due to importance of Islamic banking in our country in this time which they have an opportunity to invest in banks that operates based on their religious beliefs.

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