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Administration & Economic College.  
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## **Analyzing the factors affecting the Customers' Trust in dealing with commercial banks in the city of Erbil- 2023**

A study submitted to the finance and banking department/ college of administration and economics/the University of Salahaddin-Erbil as partial fulfillment of requirements for the degree of bachelor's degree in finance and banking sciences.

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## **DEDICATION**

This study is dedicated to our beloved parents and family

For their love, endless support, encouragement

and sacrifices

**Researchers**

## **ACKNOWLEDGEMENT**

Praise be to Allah to help us to accomplish this work, and peace and blessings be upon His Noble Prophet, we would like to offer thanks and appreciation to our lecturer and supervisor (Dr. Fahmy Muhammed Ali) for his support, and guidance. We would not be able to make it this far without your help and support, thanks for your time, effort, patience, and your trust in us.

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## **ABSTRACT**

Customers' trust is a critical factor that influences the relationship between commercial banks and their clients. The banking sector is highly competitive, and gaining customer trust is essential to retain existing customers and attract new ones. This report will examine the key factors affecting customers' trust in commercial banks, including reputation, customer service, convenience, technology, and security. We will also discuss the impact of these factors on customer trust, and explore some strategies that commercial banks can adopt to build and maintain customer trust. The Importance of the highlights the following points: The importance of banks in the process of accelerating economic growth, Clarify the importance of individual trust in banks, Clarify the reasons that cause individuals to lose-confidence in banks. The study aims to achieve the following objectives: Learn about the importance of banks and the -importance of individual confidence in them and their impact on economic activity, Determining the most important reasons that cause individuals to lose confidence in banks in the city of Erbil, Determining the necessary ways to increase the confidence of individuals in the banks in the city of Erbil. This study aims at a set of results and the most important of these results, Commercial banks in the Kurdistan Region have not been able to reach the level of using their banking quality and technology to gain the trust of consumers and remove their fears and doubts, and have not been able to compete with international banks. Commercial banks in the Kurdistan Region have not been able to gain the trust of consumers in terms of transparency. Most consumers have weak confidence because they do not trust the banks to return their savings, because they believe that the owners of banks are unknown people. Commercial banks have not been able to play their true role as participants in economic activities and are seen as investment activities and increase their trust by consumers.

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# CHAPTER ONE

## GENERAL INTRODUCTION

### **(1.1) Introduction:**

Nowadays, the changes in the banking system that is marked by the relaxation of the legislation. The weak confidence of individuals in banks is an important aspect of the threat to the banking sector and one of the most important challenges faced by banks, especially in developing countries. The problem of low confidence of individuals in banks is one of the banking phenomena that have a fundamental impact on the performance of banks, as no bank is exposed to this problem and was exposed in the end to real risks and loss, and sometimes to bankruptcy, which affects its commercial reputation, due to the emergence of new technologies and increased competition have led to significant changes in consumer behavior, giving them greater flexibility and allowing them to modify faster their buying behavior of services and banking products.

In the context of the continuous endeavor to develop the development of the banking system, financial institutions, achieving financial and banking safety, deepening the safety of banking work, introducing modern technologies and raising banking efficiency, the current structures of the banking system of the Kurdistan Region-Iraq and its institutions must be reconsidered to develop the banking sector appropriate for the modern era, capable and more efficient to confront The rapid developments in the banking industry and the financial and monetary system, by finding ways to confront financial and banking problems, including the low confidence of individuals in them and to overcome the problems faced by those banks. For these of successful players in the financial services deliver differentiated products and services to meet the needs of their customers and achieve a high level of trust from them, increasing transparency and securing personal data.

Also, Trust in commercial banks is considered to be one of the vital factors affecting the success of commercial banks' activities. However, the level of trust in banks has decreased during last years and is quite low at present. Therefore, it is necessary to change the confidence level to higher. Experts in financial research analyses market trends and extract essential information that helps banks develop strategies and financial products and services that are more attractive and more competitive for customers.

### **(1.2) Importance of the study:**

The importance of this study highlights the following points:

- 1-The importance of banks in the process of accelerating economic growth.
- 2- Clarify the importance of individual trust in banks.
- 3-Clarify the reasons that cause individuals to lose-confidence in banks.

### **(1.3) Problem of the study:**

The problem of the study consisted of the following questions:

- 1-To what extent do individuals trust banks in the city of Erbil?
- 2-What are the reasons that cause individuals to lose confidence in banks in the city of Erbil?
- 3-What are the ways of the crisis to increase the confidence of individuals in banks in the city of Erbil?

### **(1.4) Study Objectives:**

The study aims to achieve the following objectives:

- 1-Learn about the importance of banks and the - importance of individual confidence in them and their impact on economic activity.
- 2-Determining the most important reasons that cause individuals to lose confidence in banks in the city of Erbil.
- 3-Determining the necessary ways to increase the confidence of individuals in the banks in the city of Erbil.

### **(1.5) Hypotheses of study:**

- Low confidence of individuals in banks in the city of -Erbil.



## CHAPTER TWO

### THEORETICAL FRAMEWORK

#### **(2.1) Definition, Role of Commercial Bank, Function, and its Importance**

##### **(2.1.1) History of Commercial Bank:**

Commercial banks originated and evolved since time ago, whereby started beginning of banking operations in the reign of Babylon in Iraq, known as Mesopotamia in fourth millennium BC. new beginning of operations of existing banks, exchange of currencies, save deposits and grant loans. The idea in the exchange of money, which in the Middle Ages uprooted the idea of the teller who gained income from currency exchange, whether foreign or local currencies. The commercial banks in its present form emerged in the last period of the middle Ages, specifically in the thirteenth century and fourteenth century. This was due to the crusades within that period, with their wars which required huge amounts of money intended to equip the armies, As a result of these wars, especially at the end of the increase and accumulation of wealth. growth of increasing Events banking and the spread of the idea of accepting deposits and certificates of deposit emerged out of check and paper money of its modern version. Money Changers showed that it was not enough to accept deposits, but also worked on the investment deposits and profiteering from behind. As the money-changers allow their customers to withdraw amounts in excess of balances and deposits deposited with, which is currently known in the commercial bank overdraft, this in turn caused a type of operation known as 'bankruptcy'. As a number of houses banking Result could not fulfil the debt, leading thinkers in the late sixteenth century to call for establishment of houses of a purely governmental saving deposits, and thus evolved the practice of financial ATM-to-house purely to the Commercial Bank. The oldest bank to carry the name of the bank was the "Bank of Barcelona" in (1401) and it accepted deposits and discounted bills of exchange, while the first state bank has been established in the city of Venice, Venice 1587, the municipality of Amsterdam established the Bank under the name "Bank of Amsterdam" in 1609 for the purpose of filing excessive and providing content to the public. Thus, started in the sixteenth century all major trade transfers between Mediterranean, Atlantic Ocean and with coast of European overlooking Atlantic Ocean, many countries such as Spain and Portugal, Netherlands, England and France have flourished banking business in these countries as a result of the flow of goods and precious metals in sixteenth and seventeenth centuries The beginning of the eighteenth century started with a significant growth in number of banks in Europe that have increased functionality of bank. (Ali Idiab Mohamed Idiab, Mohamed Sabri Haron, Shofian Bin Hj.Ahmad, 2011, p. 1025)

### **(2.1.2) Meaning of Commercial Bank:**

A commercial bank is a kind of financial institution which carries all the operations related to deposit and withdrawal of money for the general public, providing loans for investment, etc. These banks are profit-making institutions and do business only to make a profit. The two primary characteristics of a commercial bank are lending and borrowing. The bank receives the deposits and gives money to various projects to earn interest (profit). The rate of interest that a bank offers to the depositors are known as the borrowing rate, while the rate at which banks lends the money is called the lending rate. (Nadu, 1852)

### **(2.1.3) The Role of Commercial Banks in the Economic Development:**

- Banking industry is a very important tool in the construction of economic structure of any country and it plays a significant role in the economic development of a developing country. Economic development involves investment in various sectors of economy.
- Banks play a vital role in the economic development of a country. They accumulate the idle savings of the people and make them available for investment.
- They facilitate trade both inside and outside the country by accepting and discounting of bills of exchange.
- Commercial banks also increase the mobility of capital.
- Thus the banks collect savings from the people and mobilize saving for investment in industrial projects. The investors borrow from banks to finance the projects. Special funds are provided to the investors for the completion of projects. The banks provide a guarantee for industrial loan from international agencies. The foreign capital flows to developing countries for investment in projects.
- Besides normal banking, the banks perform agency services for the client. The banks buy and sell securities, make rent payments, receive subscription funds and collect utility bills for the Government departments. Thus these banks save the time and energy of busy people.
- Banks arrange foreign exchange for the business transactions with other countries. The facility of foreign currency account has resulted in an increase of foreign exchange reserves. By opening a letter of credit the banks promote foreign trade.
- Banking sector plays a positive role in augmenting the progress of a country as repositories of community's savings and as purveyors of credit. It is the heart of financial structure since it has the

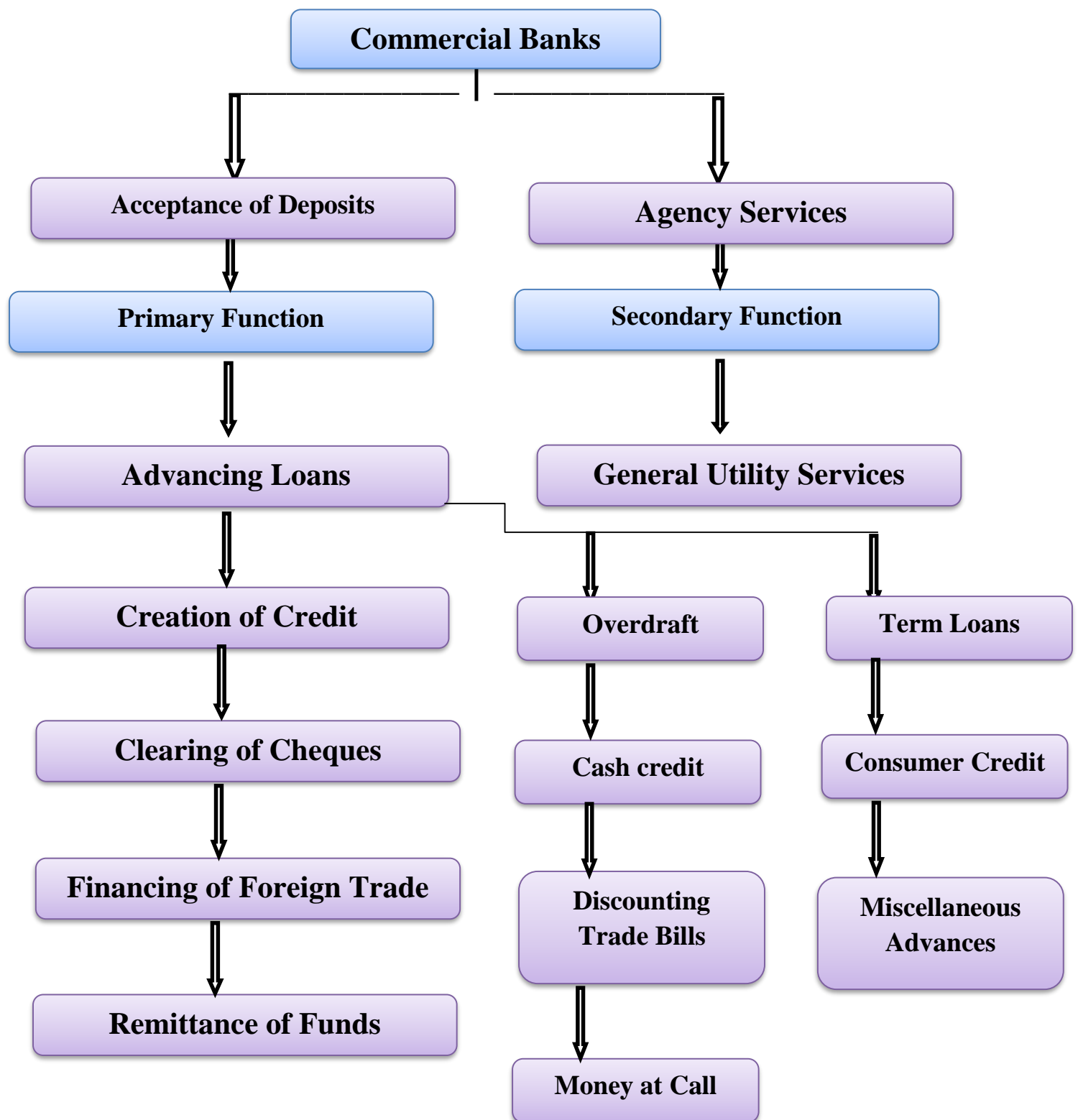
ability to add to the money supply of the nation and thus creates additional purchasing power. Lending, investing and related activities of banks facilitate the economic processes of production, distribution and consumption. (Sinyangwe, Andrew, 2021, p. 10)

#### **(2.1.4) The Importance of Commercial Banks:**

- The most important dealing is to accept all types of deposits, and therefore provide a variety of investment opportunities. There are term, current and savings deposits, certificates of deposit and other types of financial transactions
- Importance in their public services from which to save cash, wealth, care contributions, enrich their resources and provide safeguards.
- Importance stems from the methods of granting various types of loans. Whether short, medium or long term is what gives the corresponding opportunities to a variety of lenders.
- Importance of including its provision of banking services to all customers without discrimination, which is not limited to service a particular segment of customers and not the other.
- Importance in contributing to, and accelerating in all types of development activities undertaken by the State and support the national economy
- Importance in the ability to create money, whether alone or together with other banks.
- That the task of compilation of national savings and directing them towards investment in economic projects, in line with the policy of the State credit, and have absolute freedom in the financing of a variety of local and international projects.
- Based on their importance as one of the pillars of the national economy and that by doing guarantees, to provide for the implementation of large projects, and their role in financing foreign trade; especially in the provision of documentary credits, which guarantee the rights of exporters.
- Importance reflected in the spread in the community, which makes it easier for individuals to obtain the service banking and to meet customer and students needs, various services and facilities and other transactions of a bank according to the laws and regulations applicable in the State.(Salah El-Din Hassan El-Sisi). (Ali Idiab Mohamed Idiab, Mohamed Sabri Haron, Shofian Bin Hj.Ahmad, 2011, p. 1026).

**Graph (1)**

**FUNCTION OF COMMERCIAL BANKS (Rahman, 2020)**



### **(2.1.5) Function of Commercial Bank:**

The two most distinctive features of a commercial bank are borrowing and lending, i.e., acceptance of deposits and lending of money to projects to earn Interest (profit). In short, banks borrow to lend. The rate of interest offered by the banks to depositors is called the borrowing rate while the rate at which banks lend out is called lending rate. The difference between the rates is called 'spread' which is appropriated by the banks. Mind, all financial institutions are not commercial banks because only those which perform dual functions of (i) accepting deposits and (ii) giving loans are termed as commercial banks. For example, post offices are not bank because they do not give loans. Functions of commercial banks are classified in to two main categories: - (a) Primary functions: (b) Secondary functions: (Rahman, 2020)

#### **(a) Primary Functions:**

- **It accepts deposits:**

A commercial bank accepts deposits in the form of current, savings and fixed deposits. It collects the surplus balances of the Individuals, firms and finances the temporary needs of commercial transactions. The first task is, therefore, the collection of the savings of the public. The bank does this by accepting deposits from its customers. Deposits are the lifeline of banks. (Lua, 2020, p. 58)

**Deposits are of three types as under, first: Current account deposits,** such deposits are payable on demand and are, therefore, called demand deposits. These can be withdrawn by the depositors any number of times depending upon the balance in the account. The bank does not pay any Interest on these deposits but provides cheque facilities. These accounts are generally maintained by businessmen and Industrialists who receive and make business payments of large amounts through cheques. **Second: Fixed deposits (Time deposits),** Fixed deposits have a fixed period of maturity and are referred to as time deposits. These are deposits for a fixed term, i.e., period of time ranging from a few days to a few years. These are neither payable on demand nor they enjoy cheque facilities. They can be withdrawn only after the maturity of the specified fixed period. They carry higher rate of interest. They are not treated as a part of money supply. Recurring deposit in which a regular deposit of an agreed sum is made is also a variant of fixed deposits. **Third: Savings account deposits,** These are deposits whose main objective is to save. Savings account is most suitable for individual households. They combine the features of both current account and fixed deposits. They are payable on demand and also withdraw able by cheque. But bank gives this facility with some restrictions, e.g., a bank may allow four or five cheques in a month. Interest paid on savings account deposits is lesser than that of fixed deposit. (Lua, 2020)

- **It gives loans and advances:**

The second major function of a commercial bank is to give loans and advances particularly to businessmen and entrepreneurs and thereby earn interest. This is, in fact, the main source of income of the bank. A bank keeps a certain portion of the deposits with itself as reserve and gives (lends) the balance to the borrowers as loans and advances in the form of cash credit, demand loans, short-run loans, overdraft as explained under. (Lua, 2020, p. 58)

- **Cash Credit:** An eligible borrower is first sanctioned a credit limit and within that limit he is allowed to withdraw a certain amount on a given security. The withdrawing power depends upon the borrower's current assets, the stock statement of which is submitted by him to the bank as the basis of security. Interest is charged by the bank on the drawn or utilized portion of credit (loan).
- **Demand Loans:** A loan which can be recalled on demand is called demand loan. There is no stated maturity. The entire loan amount is paid in lump sum by crediting it to the loan account of the borrower. Those like security brokers whose credit needs fluctuate generally, take such loans on personal security and financial assets.
- **Short-term Loans:** Short-term loans are given against some security as personal loans to finance working capital or as priority sector advances. The entire amount is repaid either in one instalment or in a number of installments over the period of loan.
- **Overdraft Facilities:** In this case, the depositor in a current account is allowed to draw over and above his account up to a previously. Agreed limit. Suppose a businessman has only Rs. 30,000/- in his current account in a bank but requires Rs. 60,000/- to meet his expenses. He may approach his bank and borrow the additional amount of Rs. 30,000/-. The bank allows the customer to overdraw his account through cheques. The bank, however. Charges interest only on the amount overdrawn from the account. This type of loan is very popular with the Indian businessmen.
- **Discounting Bills of Exchange:** This is another type of lending which is very popular with the modern banks. The holder of a bill can get it discounted by the bank, when he is in need of money. After deducting its commission, the bank pays the present price of the bill to the holder. Such bills form good investment for a bank. They provide a very liquid asset which can be quickly turned into cash. The commercial banks can rediscount, the. discounted bills with the central banks when they are in need of money. These bills are safe and secured bills. When the bill matures the bank can secure its payment from the party which had accepted the bill.
-

- **Term Loans:**

Banks give term loans to traders, industrialists and now to agriculturists also against some collateral securities. Term loans are so-called because their maturity period varies between 1 to 10 years. Term loans, as such provide intermediate or working. Capital funds to the borrowers. Sometimes, two or more banks may jointly provide large term loans to the borrower against a common security. Such loans are called participation loans or consortium finance.

- **Consumer Credit:**

Banks also grant credit to households in a limited amount to buy some durable consumer goods such as television sets, refrigerators, etc., or to meet some personal needs like payment of hospital bills etc. Such consumer credit is made in a lump sum and is repayable in instalments in a short time. Under the 20-point programmer, the scope of consumer credit has been extended to cover expenses on marriage funeral etc. as well.

• **Creation of Credit:**

A unique function of the bank is to create credit. Banks supply money to traders and manufacturers. They also create or manufacture money. Bank deposits are regarded as money. They are as good as cash. The reason is they can be used for the purchase of goods and services and also in payment of debts. When a bank grants a loan to its customer. It does not pay cash. It simply credits the account of the borrower. He can withdraw the amount whenever he wants by a cheque. In this case, bank has created a deposit without receiving cash. That is. Banks are said to have created credit. Sayers says -banks are not merely purveyors of money, but also in an important sense, manufacturers of money.” (Hanta, 2018)

• **Promote the Use of Cheques:**

The commercial banks render an important service by providing to their customers a cheap medium of exchange like cheques. It is found much more convenient to settle debts through cheques rather than through the use of cash. The cheque is the most developed type of credit instrument in the money market. (Hanta, 2018)

- **Financing Internal and Foreign Trade:**

The bank finances internal and foreign trade through discounting of exchange bills. Sometimes, the bank gives short-term loans to traders on the security of commercial papers. This discounting business greatly facilitates the movement of internal and external trade. (Hanta, 2018)

- **Remittance of Funds**

Commercial banks, on account of their network of branches throughout the country, also provide facilities to remit funds from one place to another for their customers by issuing bank drafts, mail transfers or telegraphic transfers on nominal commission charges. As compared to the postal money orders or other instruments, bank drafts have proved to be a much cheaper mode of transferring money and has helped the business community considerably. (Hanta, 2018)

## **(b) Secondary Functions:**

Secondary banking functions of the commercial banks include:

- **Agency Services**

Banks also perform certain agency functions for and on behalf of their customers. The agency services are of immense value to the people at large. The various agency services rendered by banks are as follows: (Rahman, 2020)

- **Collection and Payment of Credit Instruments:** Banks collect and pay various credit instruments like cheques, bills of exchange, promisor notes etc., on behalf of their customers.

- **Purchase and Sale of Securities:** Banks purchase and sell various securities like shares, stocks, bonds, debentures on behalf of their customers.

- **Collection of Dividends on Shares:** Banks collect dividends and interest on shares and debentures of their customers and credit them to their accounts.

- **Acts as Correspondent:** Sometimes banks act as representative and correspondents of their customers. They get passports, traveler's tickets and even secure air and sea passages for their customers.



- ***Income-tax Consultancy:*** Banks may also employ income tax experts to prepare income tax returns for their customers and to help them to get refund of income tax.

- ***Execution of Standing Orders:*** Banks execute the standing instructions of their customers for making various periodic payments. They pay subscriptions, rents, insurance premium etc., on behalf of their customers.

- ***Acts as Trustee and Executor:*** Banks preserve the 'Wills' of their customers and execute them after their death.

### **(2.3) Trust Bank, Trust Customer in Commercial Bank, Customer Satisfaction and Loyalty:**

A trust bank is a financial institution that enables the bank's customers to do transactions. The bank takes up the role of trustee during such transactions and helps customers transfer assets to another customer following the trust agreement terms and conditions. (Jha, 2022)

#### **(2.3.1) Concept of Trust:**

Trust is important for customer-bank relationships and for customer relationships in general, for quite a number of reasons. Trust facilitates transactions with customers. Customers do not have to worry about their personal interests being taken care of, their savings with the bank, and the financial products they have bought or plan to purchase from the bank, which include insurance policies and mortgages. With a high level of trust, customers feel confident that their interests are well served by the bank. To a certain degree, a high level of trust is a buffer against negative experiences which can arise amongst customers. Customers tend to "forgive" a negative experience and perceive it as an exception if they trust the bank. With a low level of trust, however, a negative experience may be perceived as a "proof" that the bank cannot be trusted. Due to the financial crisis, trust in the banking system, trust in banks, and trust in financial institutions such as insurance companies and pension funds, has declined in many countries (Hurley, Gong, & Wagar 2014; Järvinen 2014). In this definition, trust is situated in a context of the interdependence of two parties (customer and bank) and perceived risk. Customers and banks have to rely on each other, because they cannot be certain in advance, how the other party will behave. Thus behaving according to the explicit and implicit agreements and keeping promises. Risk in this context means that both parties perceive a risk that the other party will behave in a way that is not favorable to them and can

therefore be potentially harmful. Sheppard & Sherman (1998) stated that there are five key themes that are relevant to the concept of trust.

- (1) Trust depends on the existence of risk and uncertainty of outcomes.
- (2) Trust depends on the interdependence between actors.
- (3) Trust is associated with the vulnerability of actors.
- (4) Trust involves confident expectations about future behavior of the other party.
- (5) Some form of trust is likely to be inherent in most relationships.

Berry (1995) also stated that there is a role for trust because there is vulnerability, risk and interdependence associated with the purchase of financial services. In our research, we focus on (banking) system trust, (bank) institution trust, and (bank) institution loyalty. Person trust has been included as a benchmark or reference value to be compared with system and institution trust. (Pauline W.J. van Estrik-Plasmeijer, 2015).

### **(2.3.2) Determinants of trust in banks:**

In this section, we develop our hypotheses for the determinants of trust in banks. We consider three groups of factors that might potentially influence trust in banks: sociodemographic factors, religious values, political and economic values. (Zuzana Fungacova, Iftekhar Hasan, Laurent Weill, 2019, p. 12 to 15)

- (a) **Sociodemographic indicators:** Our sociodemographic factor determinants are taken from former studies on trust generally and trust in banks specifically. Access to information is a major determinant influencing trust in institutions. Information access fosters the spread of information about the economy, financial crises, or financial scandals.
- (b) **Religious values:** We take into account religious values by either accounting for religiosity or religious denominations. Religiosity is defined by the dummy variable Religious. Religious denominations influence trust in banks mainly through two channels. **First**, religious denomination can impact trust in society or its institutions. Putnam (1993) argues that hierarchical religions create vertical bonds of obligation in society that do not favor horizontal ties between people and thus discourage trust. La Porta et al. (1997) find evidence to support this view with a negative association between general trust and the dominance of a hierarchical religion in a country (hierarchical religions here are Catholicism, Orthodox

Christianity, and Islam). Bjornskov (2007) builds on Max Weber's insight that general trust should be higher in non-hierarchical religions that promote a sense of individualized responsibility. Indeed, we expect to observe greater trust in society in general for these three religions relative to Protestantism and the major Asian religions (Hinduism and Buddhism). This can further influence trust in banks. **Second**, religions differ in their views about charging and paying out interest that may color how believers view banking. Islam prohibits the charging of interest altogether, resulting in the emergence of financial institutions and instruments designed to comply with the financial principles of Islam. Catholicism prohibited interest for centuries, and this view may still color attitudes of adherents toward banks. On the other hand, Protestantism has never held negative views on charging interest, so Protestants could see banks in a positive light. We therefore expect trust in banks generally to be lower among Catholics and Muslims.

**(c) Political and economic values:** In accounting for the influence of political and economic values of individuals, we postulate that individuals with a positive attitude toward the market should trust banks more than those with anti-market sentiments. As the banking industry plays a critical role in modern market economies, opposition to the market is expected to be associated with rejection and distrust toward banks. Here are two statements people sometimes make when discussing the environment and economic growth. Which of them comes closer to your own point of view?

-Protecting the environment should be given priority, even if it causes slower economic growth and some loss of jobs.

-Economic growth and creating jobs should be the top priority, even if the environment suffers to some extent. (Zuzana Fungacova, Iftexhar Hasan, Laurent Weill, 2019, p. 12 to 15)

**(d) Reputation:** One of the most important factors affecting customer trust in commercial banks is reputation. Banks that have a good reputation are more likely to be trusted by their customers. Reputation is built on a variety of factors, including the bank's financial stability, ethical practices, and social responsibility. A bank that is seen as financially stable and socially responsible is more likely to be trusted by its customers than a bank with a poor reputation.

**(e) Customer Service:** Customer service is another critical factor affecting customer trust in commercial banks. Customers want to feel valued and respected, and they expect their bank to provide them with excellent customer service. Banks that provide excellent customer service, such as personalized

attention, fast response times, and efficient problem resolution, are more likely to be trusted by their customers.

*(f) Convenience:* Convenience is another important factor that influences customer trust in commercial banks. Customers expect their bank to provide convenient access to their accounts, including online and mobile banking services. Banks that offer these services and provide easy access to ATMs and branches are more likely to be trusted by their customers.

*(g) Technology:* Technology is also a critical factor affecting customer trust in commercial banks. Customers expect their bank to use the latest technology to keep their accounts secure and to provide convenient access to their accounts. Banks that use outdated technology or fail to invest in the latest security measures are less likely to be trusted by their customers.

*(h) Security:* Security is perhaps the most critical factor affecting customer trust in commercial banks. Customers want to be sure that their money and personal information are safe and secure. Banks that have a robust security system and take proactive measures to prevent fraud and identity theft are more likely to be trusted by their customers.

### **(2.3.3) Building Trust:**

In order for banks to keep their customers, they need to build and maintain high levels of trust in the products and services they offer. How can banking customers be expected to entrust a bank with their current and future financial lives without having a high-level of trust in the provider? Traditionally, trust is built through face-to-face interactions but, with the accelerated movement of banking services online, how can banks build that same level of trust with customers digitally? This is a predicament for both newcomers into the space and incumbents. For newcomers in the industry, they will not initially have the same brand recognition and brand trust as incumbents. They will have to work hard to build trust from the ground up digitally. For incumbents, as they continue to expand their digital service offering and reduce the number of branches they have, they must consider how they plan on transferring their earned trust online. ([Moneythor, 2021](#))

**The 5 pillars for building trust in financial services are:**

- **Security:** In the digital world, customers are asked to trust providers in new and deeper ways, by providing more data and personal information online. It is not uncommon to hear about data breaches or hacking events that can quickly eliminate any trust a financial institution had built with their customers. Banks must ensure that the digital technologies they use are secure and reliable. Cybersecurity is central to building trust in digital financial services. ([Moneythor, 2021](#))
- **“Human” interactions:** Despite digital gains, in certain situations, human interactions cannot be ignored. People trust people. Technology can be used to augment experiences, but it needs the human aspect to drive engagement, loyalty and brand satisfaction. Customers still want to interact with trusted experts, so even if it is through content on the website or a conversational chatbot, financial institutions need to incorporate a human-like element into interactions. ([Moneythor, 2021](#))
- **Personalization:** The growth of digital services has changed the type of experience and increased the level of personalization that a customer expects from their financial services partner. Technologies like cloud computing, AI & machine learning are making personalization at scale possible. Banks can delight customers by providing personalized and contextual recommendations, insights and nudges that help them to manage their finances effectively. In order to build trust, the customer must be at the center of digital plans and data should be used to deliver relevant and helpful information based on the customers’ needs. ([Moneythor, 2021](#))
- **Exceptional customer journeys:** The customer journey plays a key role in building trust in financial services. Banks need to consider what happens after a client is acquired and what journey they go through. Creating seamless customer journeys involves removing friction points, streamlining services and delivering efficient processes that align with customer demands, reduce customer drop-off and increase engagement. Whether carrying out a transaction online or contacting the financial institution through social media, the experience should be consistent and on-brand ([Moneythor, 2021](#)).
- **Radical transparency:** Transparency builds trust. By providing customers with all the relevant and necessary information about the products and services available to them, it not only helps them to make appropriate financial decisions but creates trust for the bank. Banks should disclose what customers need to know upfront and stay away from misleading messaging and marketing, and not just by fear of the regulators. By being transparent about the Terms & Conditions, customers can feel confident in the decision they are making and know that they can trust their bank ([Moneythor, 2021](#))

## CHAPTER THREE

### THE PRACTICAL SIDE IS TO ANALYZE THE RESULTS OF THE QUESTIONNAIRE

Through this chapter, we try to make a scientific analysis of the results of the distribution of questionnaires that we obtained as a result of their analysis with the program (SPSS) on the factors that affect the weak confidence of consumers of banking services in Erbil Points:

**(3.1) research Sample:** The population of this study consists of fourth year students in the Department of Finance and Banking at Salahuddin University, which numbers (110) students, so to achieve the goal of our research (100) questionnaires were distributed to the students. We received 75 forms, of which only 60 were useful for analysis.

**(3.2) The limits of research:** Erbil city in terms of location, 2023 in terms of time.

**(3.3) Statistical description of the research Sample:**

**a- Distribution of Respondents by Gender:**

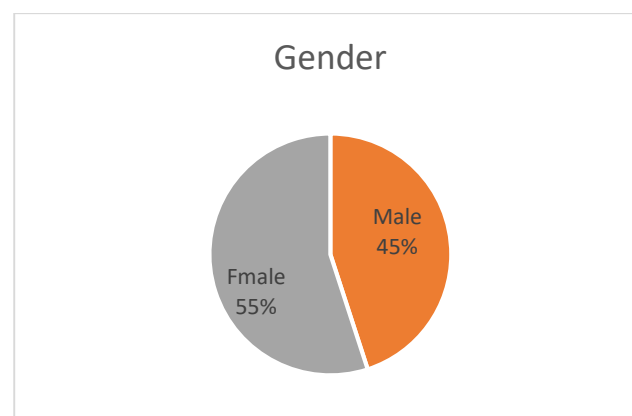
**Table 1. Distribution of Respondents by Gender**

Gender	Frequency	Percentage (%)
Male	27	45
Female	33	55
Total	60	100

Source: prepared by the researcher based on questionnaire data.

In the above table, which is the gender of the research model, (45%) of the sample respondents are male, while (55%) of the respondents are females.

**Figure 1. Pie chart for Gender**



**b- Distribution of Respondents by Age:**

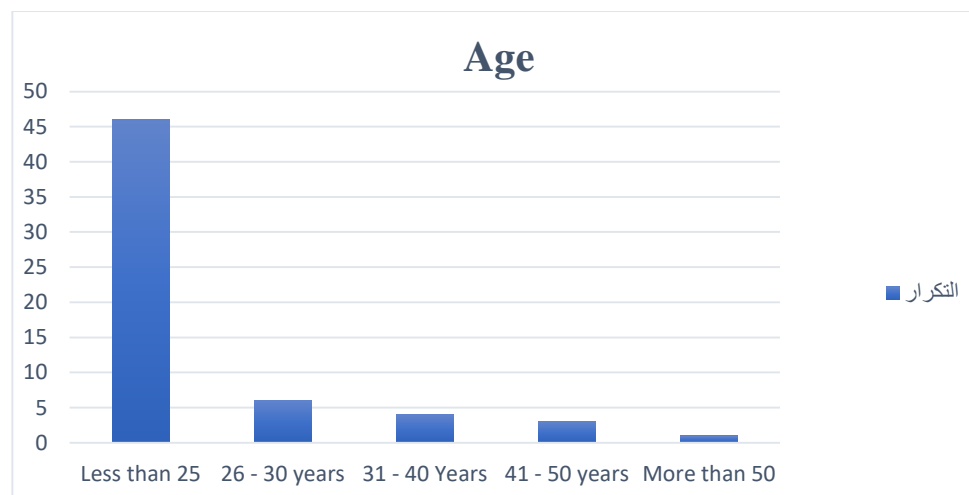
**Table 2 Distribution of Respondents by Age**

Age	Frequency	Percentage (%)
Less than 25	46	76.6
25 - 30	6	10
31 -40	4	6.67
41 - 50	3	5
Bigger than 50	1	1.67
Total	60	100

Source: prepared by the researcher based on questionnaire data.

As shown in table 2, age of less than 25 (76.6%), while age of (25 - 35) years (10%) Than age of (36 - 45) years (6.67%) and age of (46 - 55) years and (Bigger than 55) equal to (5 %) (1.67%) these are the least rates.

**Figure 2. Column chart for Age**



**c- Distribution of respondents by Scientific Specialist:**

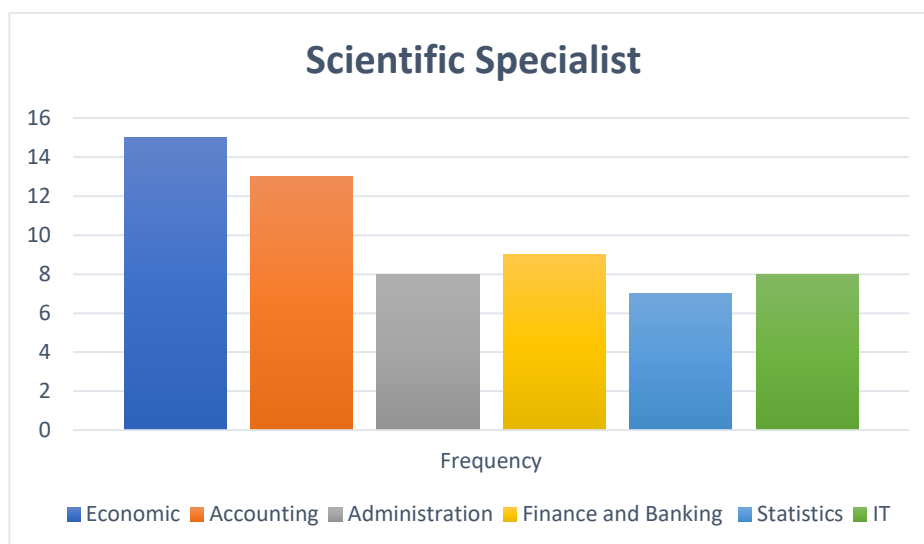
**Table 3 Distribution of respondents by Scientific Specialist**

Scientific Specialist	Frequency	Percentage (%)
Economic	15	25
Accounting	13	21.7
Administration	8	13.3
Finance and Banking	9	15
Statistics	7	11.7
IT	8	13.3
Total	60	100

Source: prepared by the researcher based on questionnaire data.

As shown in table 3, Scientific Specialist of (Economic) (25%) and (Accounting) (21.7%), while (Administration) (13.3%), then Scientific Specialist of (Finance and Banking) (15%) and (Statistics & IT) (11.7% & 13.3%).

**Figure 3. Column chart for Scientific Specialist**



**d- Distribution of Respondents by Certificate**

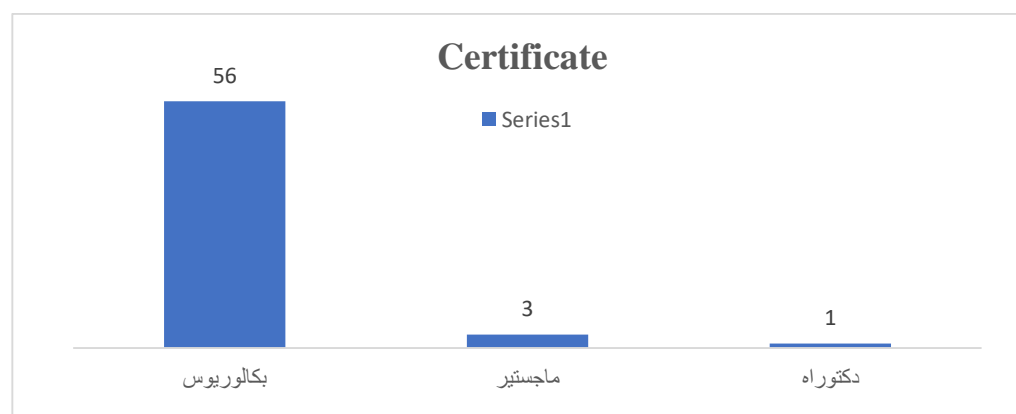
**Table 4 Distribution of Respondents by Certificate**

Certificate	Frequency	Percentage (%)
Bachelor	56	93.33
Master	3	5
PhD	1	1.67
Total	60	100.0

Source: prepared by the researcher based on questionnaire data.

As shown in table 4, Certificate of (Bachelor) (93.3%) it is the highest rate, while Certificate of (Master) (5%), then Certificate of (PhD) (1.67).

**Figure 4. Column chart for Certificate**





**e- Distribution of Respondents by Location:**

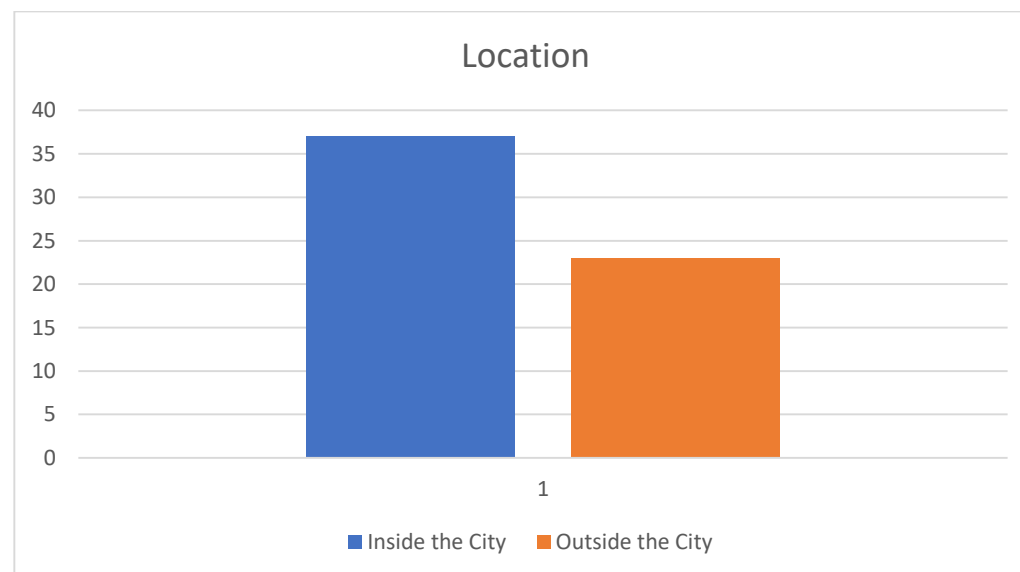
**Table 5 Distribution of Respondents by Location**

Location	Frequency	Percentage (%)
Inside the City	37	61.7
Outside the City	23	38.3
Total	60	100.00

Source: prepared by the researcher based on questionnaire data.

As shown in table 5, Location of inside the city (61.7%), while the location of outside the city (38.3%).

**Figure 5. Column chart for Location**



**f- Distribution of Respondents Bank Account:**

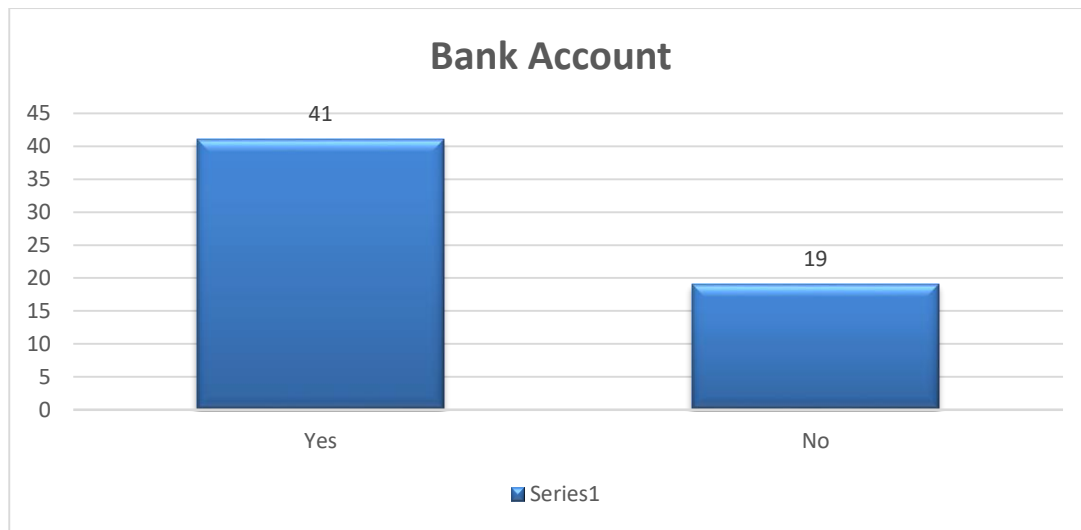
**Table 6 Distribution of Respondents Bank Account**

Bank Account	Frequency	Percentage (%)
Yes	41	68.3
No	19	31.7
Total	60	100.00

Source: prepared by the researcher based on questionnaire data.

As shown in table 6, the employee of bank has account in bank 41 employee that equal to (68.3%), while the employee of bank has not account in bank 19 it has equal to (31.7%).

**Figure 6. Column chart for Bank Account**



**(3.4) Decision Applied Research on a Number of Banks in Erbil Governorate for the period 2022 – 2023**

**Table 7 Decision Applied Research on a Number of Banks in Erbil Governorate for the period 2022 – 2023**

No.	Questions	Measurement	Strongly Agree	Agree	Neutral	non-Agree	non-Strongly Agree	Arithmetic Mean	Standard Deviation
1	Q1	Frequency	12	19	7	13	9	3.2	1.93
		Percentage	20.00	31.67	11.67	21.67	15.00		
2	Q2	Frequency	17	18	10	10	5	3.5333	1.68
		Percentage	28.33	30.00	16.67	16.67	8.33		
3	Q3	Frequency	9	18	15	14	4	3.2333	1.37
		Percentage	15.00	30.00	25.00	23.33	6.67		
4	Q4	Frequency	19	25	5	4	7	3.75	1.68
		Percentage	31.67	41.67	8.33	6.67	11.67		
5	Q5	Frequency	35	12	5	4	4	4.1667	1.53
		Percentage	58.33	20.00	8.33	6.67	6.67		
6	Q6	Frequency	17	32	3	7	1	3.95	0.96
		Percentage	28.33	53.33	5.00	11.67	1.67		
7	Q7	Frequency	5	25	8	15	7	3.1	1.48
		Percentage	8.33	41.67	13.33	25.00	11.67		
8	Q8	Frequency	12	18	17	7	6	3.3833	1.49
		Percentage	20.00	30.00	28.33	11.67	10.00		
9	Q9	Frequency	22	16	8	9	5	3.6833	1.78
		Percentage	36.67	26.67	13.33	15.00	8.33		
10	Q10	Frequency	14	23	11	8	4	3.5833	1.40
		Percentage	23.33	38.33	18.33	13.33	6.67		
11	Q11	Frequency	8	15	20	13	4	3.1667	1.26
		Percentage	13.33	25.00	33.33	21.67	6.67		
12	Q12	Frequency	14	19	12	13	2	3.5	1.37
		Percentage	23.33	31.67	20.00	21.67	3.33		
13	Q13	Frequency	16	17	13	10	4	3.5167	1.54
		Percentage	26.67	28.33	21.67	16.67	6.67		
General Arithmetic Mean & Standard Deviation								3.52	1.50

Source: prepared by the researcher based on questionnaire data

Table 7 explains the arithmetic mean and standard deviation and approval for each of the five phrases, where we note that:

The first phrases Q1 the Standard Deviation equal to 1.93 and the arithmetic mean equal to 3.2 that's bigger than 3 it means that the Banks are not up to date with the quality, demand and technology.

The second phrases Q2 the Standard Deviation equal to 1.68 and the arithmetic mean equal to 3.5333 that's bigger than 3 it means that the Banks have not been able to play their real role in economic activities that are seen as investment.

The third phrases Q3 the Standard Deviation equal to 1.37 and the arithmetic means equal to 3.233 that's bigger than 3 it means that Lack of central bank supervision over the banks in the region.

The fourth phrases Q4 the Standard Deviation equal to 1.68 and the arithmetic mean equal to 3.75 that's bigger than 3 it means that the Weak advertising of banks and building relationships within the community.

The fifth phrases Q5 the Standard Deviation equal to 1.53 and the arithmetic mean equal to 4.166 that's bigger than 3 it means that My society is mostly Muslim and interest rates are not allowed according to religious principles.

The sixth phrases Q6 the Standard Deviation equal to 0.96 and the arithmetic mean equal to 3.95 that's bigger than 3 it means that the Lack of bank branches in all regions of the region.

The seventh phrases Q7 the Standard Deviation equal to 1.48 and the arithmetic mean equal to 3.1 that's bigger than 3 it means that Poor banking culture and viewing and treating banks as a defect and unnecessary work.

The eighth phrases Q8 the Standard Deviation equal to 1.49 and the arithmetic mean equal to 3.38 that's bigger than 3 it means that the Bad reputation of banks and their bankruptcy inside society.

The ninth phrases Q9 the Standard Deviation equal to 1.78 and the arithmetic mean equal to 3.68 that's bigger than 3 it means that the Most banks are not transparent, and the capital they have saved is at risk of non-repayment as the banks are owned outside the region.

The tenth phrases Q10 the Standard Deviation equal to 1.40 and the arithmetic mean equal to 3.85 that's bigger than 3 it means that the Lack of a law for banks to ensure that individuals in society receive their entitlements.

The eleventh phrases Q11 the Standard Deviation equal to 1.26 and the arithmetic mean equal to 3.166 that's bigger than 3 it means that the banks in the region are not officially affiliated with international banks or branches of accredited banks.

The twelfth phrases Q12 the Standard Deviation equal to 1.37 and the arithmetic mean equal to 3.5 that's bigger than 3 it means that the Ownership of banks is not clearly visible to individuals in society.

The thirteenth phrases Q13 the Standard Deviation equal to 1.54 and the arithmetic mean equal to 3.51 that's bigger than 3 it means that the Uncertainty about capital and income, how they work and investment projects in banks that individuals can trust.

### **(3.5) Results:**

As a result of the analysis of the data and information of this study, we reached several important conclusions that are listed below and analyzed in Table (7):

1. Commercial banks in the Kurdistan Region have not been able to reach the level of using their banking quality and technology to gain the trust of consumers and remove their fears and doubts, and have not been able to compete with international banks. As explained in (Q1).
2. Commercial banks in the Kurdistan Region have not been able to gain the trust of consumers in terms of transparency. Most consumers have weak confidence because they do not trust the banks to return their savings, because they believe that the owners of banks are unknown people. As explained in Q9
3. Commercial banks have not been able to play their true role as participants in economic activities and are seen as investment activities and increase their trust by consumers as explained in Q2
4. Commercial banks have not been able to influence consumers to trust you through their advertising and activities, as explained in Q4
5. Consumers of banking services do not trust the size of the capital of commercial banks in the Kurdistan Region and are not sure about the size of their investments. As explained in (13 Q).

### **(3.6) Recommendations:**

1. Commercial banks in the Kurdistan Region should work more on the quality and use of technology in banks and provide more services in order to gain the trust of consumers.
- 2- Commercial banks in the Kurdistan Region should do more work through their public relations and advertising to reach the level that they are familiar with all individuals in society.
3. Commercial banks in the Kurdistan Region should work to increase competition in order to provide more services, increase transparency and gain the trust of individuals.

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## Appendix

### Questionnaire

Ladies and gentleman This survey form is for conducting a scientific research entitled (Analyzing the factors affecting the customers' trust dealing with commercial bank in the city of Erbil 2022),To obtain the necessary data for the study, we thank you for answering the questions objectively. Your answers will not be used for any other purpose.

**Thank you for answering your questions**

First: Specific Information:

1. Age \_\_\_\_\_ years
2. Gender :      Male (   )              Female (   )
3. Degree:      Bachelor (   )      Master (   )      Doctorate (   )
4. Scientific Expertise \_\_\_\_\_
5. Place of residence :    Inside the city (   )      Outside the city (   )
6. Do you have a bank account with any bank?    Yes (   )    No (   )



**Factors affecting the weakness of individuals' trust in banks:**

<b>N</b>	<b>First: economic and religious factors:</b>	<b>Strongly-agree</b>	<b>agree</b>	<b>Undecided</b>	<b>Disagree</b>	<b>Strongly-Disagree</b>
1.	Banks are not up to date with the quality, demand and technology.					
2.	Banks have not been able to play their real role in economic activities that are seen as investment.					
3.	Lack of central bank supervision over the banks in the region.					
4.	Weak advertising of banks and building relationships within the community.					
5.	My society is mostly Muslim and interest rates are not allowed according to religious principles.					

<b>N</b>	<b>Second: social and demographic factors :</b>	<b>Strongly-agree</b>	<b>agree</b>	<b>Undecided</b>	<b>Disagree</b>	<b>Strongly-Disagree</b>
1.	Lack of bank branches in all regions of the region.					
2.	Poor banking culture and viewing and treating banks as a defect and unnecessary work.					
3.	Bad reputation of banks and their bankruptcy inside society.					
4.	Most banks are not transparent, and the capital they have saved is at risk of non-repayment as the banks are owned outside the region.					

N	Third: Legal reasons and government regulations:	Strongly-agree	agree	Undecided	Disagree	Strongly-Disagree
1.	Lack of a law for banks to ensure that individuals in society receive their entitlements.					
2.	The banks in the region are not officially affiliated with international banks or branches of accredited banks.					
3.	Ownership of banks is not clearly visible to individuals in society.					
4.	Uncertainty about capital and income, how they work and investment projects in banks that individuals can trust.					