

CHAPTER I

INTRODUCTION

1.1: Introduction

Currently the world is experiencing an era in which knowledge is a basic commodity, knowledge streams have been highlighted as the most important factor of economy (Somers & Nelson, 2001). Therefore, by accepting the knowledge as a strategic resource for organizations and its significance on the organization's capability and stability within the competitive environment, an urgent need has appeared to create techniques for establishing, sharing, transferring and employing knowledge in the firms. In order to use this valuable asset, the companies should manage their knowledge soundly (Ansari et al., 2012). Knowledge becomes a key control mechanism within an organization (Assudani, 2005). An organization that manages its knowledge effectively could improve the functioning of the organization (Lin et al., 2007). Knowledge is one resource that is difficult to replicate and hence is key in achieving advantage over other organizations (Manovas, 2004). In this research, knowledge is defined and scoped to include those bank knowledge resources (information and services), made explicit and available for users through a bank web site, which becomes meaningful to web site users.

Knowledge management (KM) is increasingly important for an organization's success in e-commerce era. As financial activities increasingly shift to the web, the main challenge for corporate management is maintaining a competitive advantage through strong relations with customers (Tianyong et al., 2006). Nations face the challenges of the knowledge economy because KM is increasingly important (United Nations, 2010). Although technology is not the only tool available to address the challenges of KM (Davenport & Prusak, 2000) it is an important facilitator. As such, banks seek to take advantage of emerging technologies, especially the web site, as a platform to provide information and services to the clients. The web site, however, not only provides

opportunities to banks to offer information and services online to users but also provides challenges to assure that the web site delivers to the user's needs and facilitates requisite knowledge transfer. The web site is also expected to provide users with what might be termed a "self-service" technology that facilitates the web site users, by allowing users to determine their knowledge needs without a requirement for bank agent intervention.

In general, in order to enhance user trust in web site features there are needs to building measures and special treatments include relationship benefit features such as confidence (Ali & Yusof, 2009). Recently, it has been found that knowledge management system (KMS) is a critical factor behind e-knowledge success in banking and finance (Schoder & Madeja, 2004). Also satisfaction with web site attributes is important. For instance, in web site information richness was strongly related to performance and usage initiation (Chung & Law, 2003; Ali & Yusof, 2009). Recently, web site research focused on user relationships and human web interaction.

Consequently, this research seeks to evaluate the trust factor for knowledge transfer (KT) via electronic banking (e-banking) web site. In this study trust is defined as willingness of e-banking clients to conduct online transactions, with the expectation that the e-banking will meet its obligations, regardless of their ability to control or monitor banks actions (Alsulimani, 2013). This definition captures two discrete but non separable aspects of trust in the e-banking context. It includes a traditional view of trust, as an e-banking services provider, it implicitly covers trust in the confidentiality and integrity of the transaction medium, that is, the Internet (Yousafzai et al., 2005).

E-banking services established to provide e-banking services through bank proprietary and spread the World Wide Web was introduced as attractiveness for a comprehensive research (Ahmad, 2011). E-banking services reduced the time and cost spent on transactions for clients to conducting their transactions conveniently. However, the e-banking service was influenced by trust and is still presently a crucial barrier to conducting the transactions (Harris & Dennis, 2011). Services by e-banking have been constrained by critical factors for providing online services such as paying bills, account management and shopping via web site (AbuShanab et al., 2010). Moreover, to encourage e-banking, banking firms have employed the latest IT to facilitate access

processes and authentication of e-banking services and remote clients, data sent and received encrypted through the development of encryption algorithms, emphasizes internal network safety and implementation firewall configuration. In addition, protect client's information through using an effective authentication system to enable clients to login to a banking web site securely for transactions (Ahmad, 2011).

Trust is central to e-banking transactions and influences on client's behavior (Gu et al., 2009; Harris & Dennis, 2011). Owing to the associated problems with e-banking transactions via e-banking web site, it is necessary to refer to previous related literatures to investigate stages of transferring knowledge in e-banking transactions via web site. The objective of this research is to study the impact of trust factor in KT process via e-banking web site. This information is important to promote e-banking services as well as the transfer of e-banking knowledge (Hernández-Ortega, 2011).

In the present research, however, a decision has been taken to take a case approach, choosing Malaysian banking web site from users' perspectives. A study focus on the banking sector in Malaysia seeks to generate insightful points to establish a comprehensive basis for the generalization of results. In addition, evaluating trust factor for KT to banks web site provides an opportunity to build an enhanced understanding of how local context can shape user perceptions of the criticality of trust factor.

1.2: E-banking

E-banking has become increasingly widespread, has been used by many financial firms to reduce time and costs associated with having personnel serve clients physically to shorten processing, flexibility of business transactions and provide a better service overall (Shih & Fang, 2004). Also, with the rapid growth of other types of electronic, Internet based services, e-banking service has seen an increased interest.

Several definitions of e-banking drawn upon in this research include:

- 1) Using the web site as the delivery channel to conduct banking transactions such as viewing account balances, paying bills, transfer funds and other financial services (Nami, 2009).

2) E-banking as a banking service such as transfer of funds, payment of bills, withdrawals, deposits, access to account information that are carried out on a bank's web site through a personal computer (PC) connected to the Internet (Oyewole et al., 2013).

3) Electronic Interface where the clients can conduct their financial transactions electronically and these transactions might include transfer of funds and paying bills (Ilyas et al., 2013).

4) Provider of services and information by bank platform to its clients, consider it as an electronic connection to manage and control financial transactions between banks and its clients (Hamid, 2012).

Drawing upon components of these contributions and others discussed in Chapter 2, e-banking is defined and scoped for the purpose of this research as the utilization of the Internet, particularly via web site, to improve and enhance banking operations.

1.3: Knowledge Transfer (KT)

Several definitions of KT upon this research include:

1) Interactions between groups and individuals across the company (Paulin & Suneson, 2012).

2) Interchange of knowledge between groups, teams, individuals and organizations (King, 2006).

In this research, knowledge is defined to include bank knowledge (information and services) made available for users, clients and business sectors via web site, to become valuable to users' web site when they interpret and apply.

This research evaluates trust factor through the perspective of KT, adopting clients' perception. Adapted Model of Szulanski's (1996; 2000) intra-organizational KT Model has been used to evaluate trust factor for KT via e-banking web site, as they employed to facilitate identification of CSFs for KT via a government web site (Azizan et al., 2011). This Model has been chosen because it is recognized and supported a number of studies. However, Szulanski's original KT Model is designed to internal KT. Cooper et al., (2006) have adapted the Model to studies of CSFs for external KT in e-commerce contexts. Azizan (2011) has adapted the Model to studies of CSFs for external KT in government to citizens (G2C) context. This research has extended Szulanski's KT Model, and adapted it to evaluate trust factor for external KT in e-banking context.

1.4: Trust

A growing number of internet users use e-services to manage their daily activities. By using online they can inquire about taxes (e-government), check their account balance (e-banking), purchase goods (e-commerce), or renew their medical insurance (e-health). Unfortunately, the use of such services, although of great benefit to the end user, also exposes the user to cyber risks, for example, phishing attacks or identity theft resulting in the user's loss of personal information and money. (Costante et al., 2011).

Trust governs most relationships; our friends, our bank. When users use e-services, the trust factor is crucial. This mostly refers to the fact that the signals of trust generally used to establish relationships, such as body language, is missing in the online environment. To understand and establish trust online, there is a need to find the signals of trust and determine how they influence the user's perceptions of trust. This research refers to KT Model to test the trust factor at each stage of KT process, and represents peculiar characteristics of a web site such as its look and feel, its quality, its privacy management, or its security. Understanding the online user's perception of trust can help us to develop services that better meets user's requirements and to provide tools able to assist the user in assessing the trustworthiness of given information and service.

To understand the online user's trust needs to understand what trust means, way it is established, and whether trust changes depend application domains (does users assess

the trust worthiness of the e-banking web site in the same way for e-commerce web site?). Trust has been defined in many ways (Mui et al., 2002), vulnerability to the actions of others (Mayer et al., 1995), probability (Gambetta, 2000), risk (Johnson & Swap, 1982). Ermisch et al (2009) present that trusting someone doing A does not necessarily extend to trusting in that same person doing B. This leads to consider that trust as a multi-dimensional, context dependent on the stages in Szulanski KT Model. In this research the different dimensions of online trust are evaluated, importance for the clients, depend to the KT process.

Trust factor is the key aspect of KM. Swowden (2000) argues that the most crucial factor for KT is trust. Davenport and Klahr (1998) claim that knowledge initiation will fail without trust, regardless of technology. Lack of trust will lead clients to be skeptical about the behaviors and intention of bank web sites and thereby they will possibly refrain from using their knowledge.

Research on trust is broad and includes a variety of approaches from trust as a personality trait to the emphasis on trust as social reality (Clark & Payne, 1997). The focus of this research is on evaluating trust in e-banking web site contexts. In general, trust is considered as the willingness to rely on some event, individual, or organization. Thus, trust requires a focus specific to the area of interest (Clark & Payne, 1997). In this research trust provides the particular focus. For example, previous studies found a significant influence of trust on performance results (Zaheer et al., 1998; Dirks, 2000; Feng & Zhang, 2007). Thus, this research focuses on trust and its relationship to KT. Despite much research, the studies have demonstrated the positive effect of trust on KT (Arshad et al., 2010), there is still a lack of empirical evidence as to how this impact occurs (Chowdhury, 2005; Feng & Zhang, 2007).

Al-Smadi and Al-Wabel (2011) presented that most e-banking users should be informed about every update on information. Also, overriding problems associated with trust could help to reduce fear and facilitate transactions in e-banking by the reduction of potential hazards which is vital for financial activities (Gu et al., 2009; Ahmad, 2011; Kim et al., 2011).

Web design and quality of web (Aladwani & Palvia, 2002) are also suggested as key pieces to online user trust. Beliefs regarding a bank web site perceived information load, and information sensitivity guarantee a positive effect on trend towards using an e-banking platform (Liang & Lai, 2002). Perceived quality is one of the important specifications, based on structural guarantee mechanism, is the privacy of information on the bank web site (Malhotra et al., 2004). Gillmor (1998) indicates that the problem in privacy via internet is the exploitation of sensitive information and occurs when the e-banking web site does not offer their privacy policies or hide these policies.

Key pieces of trust are confidence, risk, exploitation, vulnerability and expectation (Lewis & Weigert, 1985). Deutsch (1962) focuses on risk in their definition, "the willingness of an individual to behave in a manner that assumes another party will behave in accordance with expectations in a risky situation" (Corritore et al., 2003 p.5).

Table: 1 includes trust factor for KT

Table: 1 Trust Factor for KT

	Description	Authors
Trust	Understanding of trust in KT improve the cooperation and reducing fear and losing value, also trust is important in business interaction.	Levin et al., 2002.
	KT can occur smoothly when the provider insure the trust during transfer process.	Feng & zhang, 2007.
	Trust is been identified as key to e-commerce. If trust is vital, then building trust is even more crucial.	Arshad et al, 2010.
	Trust is crucial, without building a sense of competence and benevolence based trust between the knowledge seekers and sources, firms will find it difficult to take advantage of perhaps their most valuable resource.	Hong & Cho, 2011.

1.5: Research Audience

There are two intended audiences for this research:

1. Practitioners involved in developing and managing organizational web site, particularly bank web site. This audience is concerned with evaluating trust factors that contribute to making an electronic bank web site a successful channel for the delivery of bank knowledge resources to clients.
2. KM researchers, concerned with the processes of KT, and in understanding how local context can shape perceptions of the trust as criticality factor affecting KT.

1.6: Problem Statement

In order to provide excellent services at a minimal cost and time, a bank needs diagnostic factors that are safe, efficient, satisfying and accurate. In addition, the factors should be very close for the client.

Studies have shown that customers have a tendency to be hesitant to give their sensitive information such as personal information for online transactions (Ahmad, 2011). Uncertainty concerns which constrain e-banking have made some people criticize e-banking (Lee & Turban, 2001). People in e-banking faced negative incidents on their transactions being tampered with. These unfavorable experiences have deterred some people from using e-banking (Gefen et al., 2003). This insecurity has been mainly because of threats (Costante et al., 2011). Existing security has been lacking in terms of privacy and integrity of transactions hence the need to identify and provide strategies and remedies that counteract any discrepancies (Yousafzai et al., 2005).

1.7: Research Questions

- 1) How significant is the trust factor in KT process in e-banking web site?
- 2) Which stage in KT Model has a high relation with trust factor?

1.8: Objective of Research

The research objectives:

1. To evaluate KT element in order to study trust via e-banking web site.
2. To identify the stage of KT Model that has a high relation with trust.
3. To develop new KT Model that based on trust.

1.9: Scope of Study

This study focuses on the use of KT Model to evaluate trust factor in stages of KT Model among Malaysian users in e-banking web site. The expected outcome of this study is the determination of trust factor that has high relation in KT process via e-banking web site. To accomplish this, questionnaires were utilized to collect data among e-banking users in Malaysia. Samples derived from the field survey were then conducted analyzed using SPSS 20 and later descriptive analysis. Findings were used to draw conclusions on the significance of trust factor in KT via e-banking web site in Malaysia.

1.10: Significance of the Research

This research aims to evaluate trust factor for achieving KT by Malaysian e-banking web site, from the user's perspective. Trust is the factor which will ensure successful competitive performance for the e-banking web site. This research may provide an opportunity for the banking sector in Malaysia to operate an effective web site. In

addition, the result of this research may provide guidelines to banks wishing to develop e-banking web sites in the future.

The research will evaluate trust factor in KT process to determine the influence of KT process based on users' trust towards e-banking operations in Malaysia. Also the research will determine the correlation that exists between the trust with respect to the demographic information (such as age, level of education, monthly income) of the respondents. This can help to understand the need for user's trust directed through e-banking transactions by web site (Tarafdar & Vaidya, 2006). The outcome of this research could encourage other firms to emulate the success of e-bank web sites. The following is the outline of this thesis in figure 1.

1.11: Thesis Outline

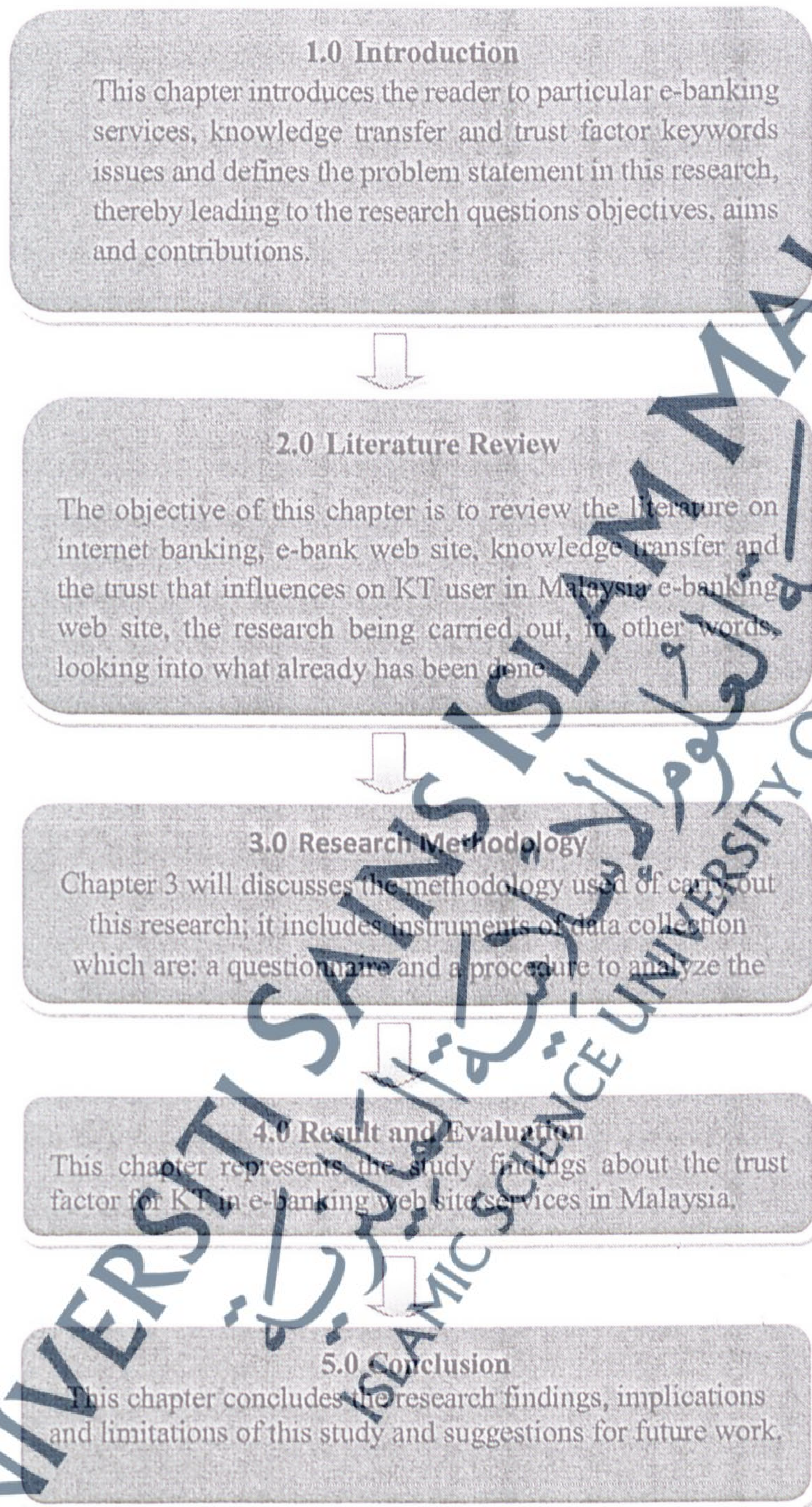


Figure: 1 Descriptive Outline of this Thesis.

1.12: Research Contributions

The research to be reported potentially contributes in the following areas:

1) Theory:

1.1) The four stages of KT Model proposed by Szulanski (1996, 2000). Four stages are initiation, implementation, ramp-up and integration to be used in this research to evaluate trust factor in KT via e-banking web site, so extending the area of application of the Model.

1.2) Discussion on the trust for bank web site and contribute to the understanding of how local context can shape perceptions of the criticality of trust affecting KT in e-banking.

2) Practice:

2.1) Trust for KT in e-bank web site, IT practitioners involved in developing web site, particularly e-bank web site, will be provided with insights that can contribute to making a web site a successful channel for the delivery of bank knowledge resources to users.