The Little Red Book: Risk and Trust in Chinese Internet Banking, a Gendered Perspective

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ABSTRACT
Internet banking services (IBS) in China’s are a strategically important, though under researched, market. Our research seeks to explore the potential influence of gender within China’s IBS. This is done qualitatively by examining the notions of perceived risk and trust. Six focus groups were implemented. Generally, IBS adoption is seen as ‘risky’. However, gender differences are identified. In particular, a unique contribution to the literature—the concept of female secrecy and privacy through “a little red book”—is established. Finally, marketing implications and future research are discussed.

Introduction
The Internet plays a significant role in China’s banking sector. For banks, many potential benefits emerge such as cost reduction, new product development and cross-selling opportunities. However, in order to allow banks to fully achieve these benefits, technology must be adopted by their customers (Mols 1999). From the customer’s point of view, the Internet may seem an advanced, yet risky, mechanism for personal banking and financial services provision (Laforet and Li 2005).

Furthermore, gender differences exist in terms of their attitudes and behaviour towards Internet usage. In general, females tend to use the Internet as a tool for communication but not for shopping (Garbarino and Straehilevitz 2004). They are more concerned about personal information, privacy and online payment security; they are more cautious about unsolicited emails or spam messages and appear to be more sceptical regarding online shopping. These gender differences seem to be narrowing in some Western markets such as the USA (Yang and Lester 2005). However, there is no current information on whether gender has an impact on Chinese consumers’ Internet banking services (IBS) adoption. Moreover, there are extremely few studies that offer empirical evidence about China’s IBS market.

This research adds to the existing literature in a number of ways. It explores major barriers that discourage Chinese consumers from IBS adoption and investigates potential gender influences within the context. In doing this, it delves into the market and provides insights. These are particularly useful when developing effective marketing strategies within the current context.

The issue of customer adoption is just as critical in the Chinese context. Overall, the future of China’s IBS market appears to be promising in terms of the increasing number of users. Over 59 million Internet users had used IBS by July 2008, accounting for 23.4% of total Internet users in China (CNNIC July 2008). This shows a growth of 4.2% in just 6 months. However, not all Chinese consumers are ready to accept more sophisticated banking technologies such as IBS or mobile phone banking (Laforet and Li 2005). This clearly does not match banks’ expectations and creates challenges. Thus, before appropriate marketing strategies can be developed, banks must carefully study why many Chinese consumers, particularly existing Internet users, are not ready to adopt IBS.

One way to scrutinise this is to adopt perceived-risk as a critical lens. Perceived risk is a crucial factor that needs to be empirically explored within China’s IBS market (Laforet and Li 2005). Our research takes this suggestion further by exploring perceived risk and trust in the current context and considering this within a gendered framework. Both risk and trust are crucial to (re)build the banking sector, especially in the present climate after the financial crisis and within the economic slowdown. Such integration will help us uncover some of the underlying issues that are critical to the adoption of IBS, but that are not well explored by the existing literature.

Literature Review
Both perceived risk and trust are multi-faceted constructs and context-dependent (Mayer, Davis, and Schoorman 1995; Mitchell 1999). Within the Internet context, the relationship between both constructs is not always straightforward (Lim 2003). There are three approaches evident in the literature. Firstly, perceived risk and trust are studied separately (Aldas-Manzano et al. 2009; Chen, Chang, and Chang 2005; Cunningham, Gerlach, and Harper 2005; Featherman and Pavlou 2003; Lu, Hsu, and Hsu 2005; Pennanen 2007; Rotchanakitumnuai and Speece 2003; Suh and Han 2002). Secondly, some researchers consider perceived risk to be a dimension of trust within IBS settings (Kassim and Abdulla 2006; Mukherjee and Nath 2003). In our view, such a perspective is problematic as the two constructs are conceptually distinct. Thirdly, several studies have integrated these constructs simultaneously. However, they lack empirical evidence testing the proposed framework (Kim and Prabhakar 2000; Yousafzai, Pallister, and Foxall 2003) or the constructs are only measured on a uni-dimensional scale, i.e. the constructs are not divided into detailed dimensions (Grabner-Krauter and Faullant 2008; Pavlou 2003).

The complex relationship between perceived risk and trust is well documented in the literature, especially in relation to the Internet, which is considered a high-risk, low-trust banking channel (Yousafzai et al. 2003). Mayer et al. (1995:711) suggest that “the need for trust only arises in a risky situation”. Grabner-Krauter and Faullant (2008:488) concur that “trust would not be needed if actions could be undertaken with complete certainty and no risk”. A purchase situation with absolute certainty and no, or little, risk may be ideal for consumers. However, such ‘perfection’ is rare in consumers’ daily consumption (Cunningham 1967) and even more unlikely when considering Internet banking.

This implies that from a customer’s point of view, 100% certainty in relation to IBS is highly unlikely. Even when the objective risk is zero, consumers may still perceive subjective risk (Mitchell 1999). The nature of the technology may contribute to this ‘imperfection’, as consumers have to deal with intangibility and physical separation from the product/service provider. Consumers often worry that their bank accounts may be breached by unauthorised parties, the accounts may be abused, financial losses may occur, and, that personal details can be manipulated or handled unethically (Gerrard and Cunningham 2003; Polatoglu and Ekin 2001; Sathyre 1999). If these worries cannot be alleviated by appropriate marketing practices, such as after-sale service support and a transparent data handling processes, consumers’ risk perceptions are likely to be augmented, particularly in the case of those who have not experienced IBS before.

In addition, an old stereotype suggests that males and females not only view risk differently, but also respond in different ways to risk (Schubert 2006). In general, females perceive greater risk and are less inclined to take risks than males. The literature suggests
that men and women hold different attitudes in terms of managing their finances (Lim and Teo 1997). Females are more anxious and risk-averse when dealing with money. Furthermore, males tend to hold more positive attitudes towards money and are more confident in making decisions (Stinerock, Stern, and Solomon 1991). This manifests itself in a number of ways, e.g. men are prone to adopt new technology, such as using the Internet for shopping (Donthu and Garcia 1999) or banking (Mols 1999). Garbarino and Strailevitz (2004) show that gender differences also exist in terms of attitudes to the Internet e.g. whether to recommend a particular website to peers/friends and in terms of usage intention. Such patterns can be seen in Hong Kong, where women consider the Internet as a more risky channel than men (Sin and Tse 2002). However, whether such patterns exist in an IBS context in mainland China is yet unknown, thus, the current research seeks to explore this area.

**METHODOLOGY**

**Research Design**

As there is little in the literature that is of direct assistance, a qualitative approach (focus group interviews) is adopted. The approach enables us to explore Chinese males’ and females’ risk perceptions of IBS and the possible impact of trust, thus helping to identify gender differences. The qualitative approach helps develop tentative propositions for future research examination.

We focus on young Chinese Internet users aged 18-25 as they are the majority of Internet users in China (approximately 30% of the total) (CNNIC July 2008). In addition, when IBS was introduced in the West, banks also primarily targeted those who were computer-literate and familiar with the Internet because they would be more likely to adopt the ‘product’ (Mols 1999).

A convenience sample of university students was applied. Students were invited to join focus group interviews. In total, 27 respondents took part in six group interviews conducted by a well-trained researcher (3 groups of males and 3 groups of females, each group approximately has 4-5 respondents) and each interview lasted approximately 50-90 minutes. The interviews were recorded, initially transcribed in Chinese and then translated into English. Guided by the available literature, the respondents were encouraged to discuss their reasons for not yet using IBS and to indicate their concerns in terms of China’s IBS development. They were also probed to discuss their views of the opposite gender’s IBS adoption behaviour.

**Data Analysis**

The data was analysed through several steps, including categorisation, data rearrangement and reduction, relationship recognition and additional categories formation (Rudestam and Newton 2001; Saunders, Lewis, and Thornhill 2003).

Categorisation—to understand the statements and establish meanings within the current context. This is important to generate the meanings based on the purpose of this research. The literature was used as the guide to categorise themes; additional labels or phrases emerged from the data were identified.

Data rearrangement and reduction—guided by the literature and the purpose of the research, to identify related ideas or discussions for broad themes development. Data was reduced into a more manageable form.

Recognising relationships and forming additional categories—to analyse the reorganised data and to generate key themes, patterns, or relationships. Moreover, themes were compared to identify differences. If additional meanings were observed, the broad themes were specified. The analysis process was determined to be complete when no further themes were generated.

**Research Findings**

The discussions on perceived risk, trust and their roles in IBS adoption revealed several themes offering insight into the market. Firstly, in comparison to males, females are more concerned about financial loss when using IBS. In particular, the concept of the little red book emerged when exploring the females’ attitudes towards money. Secondly, the females generally distrust banks as an institution and it is thus not surprising that they are very reluctant to trust the technology adopted by banks. In contrast, males are more optimistic and open to the idea of IBS. Finally, most of the respondents felt that marketing communications from the bank were ineffective.

**Gender Attitude Towards Money**

Although males and females consider IBS risky, there are differences in their risk perceptions. For example, financial loss appears to be overwhelmingly important, but the female respondents were in particular very anxious about suffering this type of loss:

- “I feel it [IBS] is unreliable. I worry that my account number and password would be stolen. … I also fear that if my account and password are stolen, then the amount of money in my account would be stolen.” (Female Group 3)
- “One of the worst outcomes is money loss. The transactions are made through computers.” (Female Group 1)

The male respondents expressed a different perspective:

- “I think if account information is stolen/hacked into, the cost of losing personal information will be a lot bigger than the loss of money.” (Male Group 1)
- “If your personal information is stolen, you would be concerned about how your information would be treated by the stolen party. They can use your information to do illegal things.” (Male Group 1)
- “Your personal details are closely related to your life. Financial loss, you could earn back later.” (Male Group 1)

This suggests that males and females have different attitudes towards money. The female respondents for instance think that as women, they will take more responsibility for their family’s money as, traditionally, women are given a ‘household’ budget by their husbands.

- “In China, many women control family finance, therefore, they have the responsibility to manage the money well. If any loss occurs when they use IBS, this then can result in financial loss to a family. This is problematic and [women] have to be careful when taking actions.” (Female Group 1)
- “[When we are married,] a more secure management [for finance] is needed. We do not want to take risks as they may lead to any financial loss for our family.” (Female Group 1)

It is thus not surprising that females are far more reluctant to adopt IBS. The woman risks losing face to family members and others when she fails to care for the ‘family budget’. Perhaps to them, the risks of not using IBS therefore strongly outweigh the possible advantages.
“Trust in bank” and “Trust in IBS Competence”: A Gendered Perspective

Generally there is a lack of trust in banks. Two concepts in relation to trust are identified: “trust in bank” and “trust in IBS competence”. In principle, males appeared to be more concerned about trust in IBS competence; whereas the female respondents oriented their discussion more towards trust in the bank (trust in IBS competence was discussed, but less frequently and in limited detail). It is noted that trust in the bank is surprisingly low, especially for the female respondents who had negative experiences with banks and their staff. In particular, unethical practices were of concern to the female respondents.

“Once, I went to my bank and withdrew some cash and I was given a counterfeit note by staff over the counter! As I was withdrawing quite a lot of money so it was impossible for me to examine the notes individually in public. When I got home, I found a fake note!” (Female Group 3)

Another one echoed,

“I didn’t have this experience [i.e. receiving counterfeit notes inside the bank] but I once had a fake note via an ATM. I suspect that the bank staff did it [i.e. put the note knowingly into the ATM].” (Female Group 3)

The message emerging here is that the banks are not perceived as honest or reliable. Suspicions are created through personal or others’ experiences. Further, there is a great concern in adequately predicting banks’ behaviour as the respondents have little faith in the bank fairness or ethics:

“I standby my comments on the ethics of the bank staff. I don’t trust them much.” (Female Group 3)

“I worry that bank insiders would take my information to do other things. As I suppose this could happen, you know, your data may be taken by bank staff. Outcomes can be very serious.” (Female Group 3)

Thus, effective methods to manage consumers’ risk perception are vital. A critical element is consumers’ trust, including trust in the bank and the technology (Yousafzai et al. 2003). Trust in the technology is important but insufficient to overcome IBS risk perceptions. Here, the issue of physical separation plays an important role as consumers will have no interaction with bank staff when they use IBS. When consumers have no direct control over the bank’s action, it is difficult to convince them that the bank’s behaviour will be predictable and consumers’ interests will not be sacrificed over the bank’s own benefits (Mayer et al. 1995). To overcome this potential difficulty the bank must be perceived as reliable, honest and capable of conducting its business appropriately (Morgan and Hunt 1994). Therefore, a fundamental issue is whether consumers have built sufficient trust in the bank and are willing to transfer this positive belief to the bank’s IBS operation channel, i.e. the Internet (Rotchanakitumnuai and Speece 2003), thus helping them reduce perceived risk and facilitating IBS use.

The female respondents further explained these concerns by revealing another aspect of distrust in banks:

“I guess banks usually would look after themselves first. They prioritise their interest over their customers’. They neglect account holders’ loss … They would promise you everything before you join their services/buy products. But as long as they have you, they would never keep their promise.” (Female Group 2)

This shows that the trust in IBS competence has not been established within these potential female customers. Many male respondents were aware that IBS involves risk with regards to the technology.

“[IBS is] not perfectly reliable. Nowadays the Internet develops so fast. You [i.e. banks] must constantly improve your system to provide your customers with greater safety/security.” (Male Group 1)

“I don’t worry too much about my bank. Because if you use it [i.e. IBS], you need to trust it. If you worry too much then you don’t trust it, so you will not use its services at all.” (Male Group 3)

Whilst the males’ discussion seemed to be reasonably optimistic, the females were far more conservative in expressing their views on trust in IBS competence. In particular, the ability to ‘witness’ is a key barrier and this needs to be overcome to decrease the lack of trust in IBS.

 “[I have] No trust in the IBS system, as there may be some hackers who attack others’ accounts.” (Female Group 1)

“[There is] an old saying in Chinese, “Seeing is believing”. Only visible things are believable. … [I would ask myself questions like] have I made any mistake? I can’t see it [i.e. the transaction].” (Female Group 2)

Ineffective IBS Marketing

This research found that respondents had a low awareness of IBS, e.g. few effective IBS advertisements or promotions were noticed and the bank staff rarely communicated new product information to customers.

“Bank staff do not take an active part in telling you anything about the new banking services, especially after you open accounts with them. We are not interested in finding out about any new service anyway.” (Female Group 1)

“The bank staff themselves seem to show little care/interest about IBS.” (Female Group 2)

To sum up, the above findings lead us to develop the following tentative propositions:

Proposition 1: Male consumers’ IBS risk perception has less negative influence on their usage intention than does that of females.

Proposition 2: Male consumers’ trust in the bank has a less effect on their risk perception than it does in females.

Proposition 3: Male consumers’ trust in the bank reduces more risk perception than it does in females.

Proposition 4: Male consumers’ trust in the bank has a more positive effect on their trust in IBS competence than it does in females.

Proposition 5: Male consumers’ trust in IBS competence has a more positive effect on their IBS usage intention than it does in females.
DISCUSSION AND CONCLUSIONS

Our research begins to explore China’s IBS market and has found that perceived risk and trust in money related issues are critical—not only when considering whether or not to adopt IBS but also in the current situation of financial instability and economic crisis. As reported earlier, both constructs influence males and females differently. Female’s risk perception is an important barrier to overcome, as they trust banks less. Their unpleasant personal experiences and negative word-of-mouth has contributed to this. The interviews have also shown a low level of awareness of systems and safeguards and this gives support to Laforet and Li’s (2005) conclusions. Another factor contributing to these low levels of trust for females is their attitude towards money. Exploring Chinese women’s relationship to money and particularly its management within the family context is a difficult task given the sensitivity of the topic. This may help explain why although concerns regarding privacy have been highlighted in previous research, the reasons for this ‘privacy reservation’ have not been previously identified. However, given the centrality of the female role in daily household financial management it is worth further exploring as it will be a critical aspect in the formation of women’s attitude to the adoption of banking innovations—including IBS.

In a collectivistic culture, traditionally every member is expected to share everything within a family. However, many married Chinese women often create a personal financial reserve—sometimes referred to as ‘the red book’ or ‘little golden box’. This is enacted through savings created in household management and deposited in a ‘secret’ personal bank account. The existence of such accounts is not divulged to their husbands, and exists as a ‘bank book’ which is kept secretly. These accounts are used to supplement the family in times of financial hardship, or to provide for some of ‘life’s little luxuries’—they also serve to provide housewives with a degree of financial autonomy. Theoretically, the risk of exposing such secret money to the family would be against the collectivistic concept of harmony (e.g. by demonstrating that you were not willing to share your money with other family members, it might also lead to a loss of face and respect from your family and others, in the worst scenario the wife could lose social support from the broader community). This leads to a range of possible additional IBS risks for these women. Should a woman decide to use IBS to manage such a secret account, she is confronted by both privacy and financial loss concerns. By using IBS she would expose herself, as others might be able to ‘view’ and potentially access her account. Here ‘others’ could equally apply to potential criminals, but also to other members of the family or community. Moreover, if she needs technical advice or support, she would need to again ‘expose’ the existence of her secret reserves to a traditionally male dominated bank environment.

Furthermore, the female respondents also felt that within a family, if the husband was more likely to adopt IBS the wife might then follow his lead. When probed in our qualitative research to explore why they thought this would be the case, the women suggested that it is related to “Chinese culture. Well, men are responsible for external stuff and women care about internal stuff.” The view that choices related to the external aspects of family life are driven by the male partner echoes earlier research which suggests that “the husband sings and the wife hums along” in the Chinese context (Schutte and Ciarlante 1998:51).

In addition, this research highlights that marketing communications from the bank with regards to IBS were ineffective and bank staff had little motivation to promote the product. One possible reason is that bank staff are still experiencing changes from a state-owned status to a more customer-centred marketing environment, which will take time. In order to convince more Chinese consumers to adopt IBS, our study found that different marketing approaches may be needed for males and females. Given the fact that the female respondents have particular concerns about money, banks should enhance female customers’ trust in the institution and more importantly the confidence in frontline staff. In particular, attention should be given to their attitudes towards secrecy and privacy as these create uncertainty and conflicts. When targeting males, banks should firstly communicate their integrity and secondly emphasise their competence in the technology. Once males have taken the lead of adoption, females are more likely to follow. Unless appropriate actions are taken in relation to all discussed issues, it will be challenging for banks to convince more Chinese consumers to adopt IBS.

It is clear that both perceived risk and trust are two inseparable constructs to study electronic environments such as shopping and banking. These two constructs are particularly important to understand those who have the potential to adopt these online activities but do not commit to them yet. More recent research has started to give attention to investigate consumers’ adoption behaviour by integrating the two constructs in relation to online transactions (e.g. Aldas-Manzano et al. 2009; Pavlou 2003) and yet solid evidence from China’s IBS market is still needed. Indeed the barriers may have been too high for consumers to overcome and thus understanding how these constructs influence consumers’ adoption intention is highly critical to develop meaningful and effective marketing strategies to this dynamic market.

LIMITATIONS AND FUTURE RESEARCH

We suggest that research combining quantitative and qualitative approaches is ideal to generate greater insight into this dynamic market. The qualitative approach would help enrich the quantitative findings. In particular, more research attention may be allocated to explore the meanings and implications of the ‘secret personal bank accounts’. As our research did not separate those who had a personal secret account from those who did not, future research may consider separating focus groups into women with a personal financial reserve and women without; and investigating women’s different perceptions on managing their personal financial reserve. This may bring relevant insights to consumer behaviour (e.g. contrasting private and collective consumption, comparing motivations to save and spend between women who keep this account and those who do not). Another interesting direction is to explore whether men would have their personal financial reserve as well and how they view these reserves in contrast to the females.

Our propositions should be verified in future quantitative research approaches by using some advanced statistical techniques such as multi-group analysis in structural equation modelling which may enable researchers to examine the underlying relationships between perceived risk, trust and behavioural intention for males and females. Finally, the use of a convenience sampling limits the representativeness of our findings. Future research may consider exploring other groups of consumers—who whilst slower to adopt will nonetheless form important groups within the overall market.

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