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How to Develop Trust in the Distrusted Banking System of the Kurdistan Region in Iraq

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**Thesis submitted in partial fulfilment of the requirements for
the degree of Doctor of Philosophy**

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DECLARATION

I hereby declare that this thesis entitled: **How to Develop Trust in the Distrusted Banking System of the Kurdistan Region in Iraq** is submitted in partial fulfilment of the requirements for the degree of Doctor of Philosophy. It represents my own work and, to the best of my knowledge and belief, it contains no material previously published or written by another person. This thesis has not already been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree. I hereby give consent for my thesis, if accepted, to be available for photocopying and for inter library loan, and for the title and summary to be made available to outside organisations.

Signed..... (Candidate)

DEDICATION

I dedicate this work to my beloved Father and Mother, my lovely wife and my adored sons Asa and Aro

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I would like to thank Allah, the most Gracious and the most Merciful, who helped me to finish this work.

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ABSTRACT

Financial institutions including banks play an important role in national economies through providing liquidity to both businesses and households by playing a role as an intermediary between surplus and deficit holdings. When this role is not performed efficiently, economic growth slows down. Banks, as a major component of the financial industry, can have a positive impact on the economic growth of any country. In countries in politically unstable and or developing regions if banks are not seen as trustworthy and positively supportive of their people their usage is likely to be very limited. The banks in the Kurdistan Region (KR) are characterised by being inefficient, therefore, their current role in economic development is very limited. Due to political and security instability, most people in the KR prefer to keep their money in their houses instead of putting it in banks. At present, there is little research into how this distrust of the banking system could be reversed, enabling it to contribute to economic recovery in the region.

This study merged qualitative and quantitative approaches in sequential and equal weight. The primary data collection for this study started with the collection of qualitative data through conducting semi-structured interviews with bank managers and government officials at the ministry of finance in order to identify the main obstacles that they believed faced the current banking system in the KR. Analysis of these results led to the design of a questionnaire survey involving 520 current and potential bank customers to identify the main barriers which cause a continuing lack of trust amongst KR people in the banking system.

The study confirmed that the banking system in the KR has either never gained or completely lost the trust of the KR. It has identified several reasons for this including inertia amongst national banks, limited literacy in certain sections of the population and a risk-adverse culture. One of the other major factors preventing the use of banks within the KR is the lack of trust in banks. However, the study has also identified sections of the population who do have a positive interaction with banks, these are mainly younger adults who have been exposed to western banking systems including e-banking.

The contribution of this study is to suggest that trust in banks could be developed if, in a hierarchical and mainly rural society, the national government were to actively promote the use of banks, including international banks in a transparent and fair way. However, the results also suggest that this would only work if those who had positive experiences were permitted to continue their interactions with international banks when in their home country. That is to say, in reflecting and building upon the jump into mobile phone technology in developing countries, those who do have trust in banking systems should be allowed to retain and or expand usage of those trusted companies upon their return to their home via the use of modern technology. Their positive interaction would encourage take up by other members of their households and social groups.

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LIST OF ABBREVIATIONS

KR	Kurdistan Region
UK	United Kingdom
IMF	International Monetary Fund
MBA	Master of Business Administration
CBI	Central Bank of Iraq
TBI	Trade Bank of Iraq
SOB	State Owned-Banks
B.C	Before Christ
CEEC	Central and Eastern European Countries
FDI	Foreign Direct Investment
GDP	Gross Domestic Products

Chapter one: Introduction

1.1 Introduction

The Kurdistan Region (KR) is part of the country of Iraq. Like Scotland or Wales within the United Kingdom, it has a certain level of autonomy whilst also being bound by Iraqi government policy. In 2018, the population of Iraq was 37 million (Iraq country profile, 2018), and of the KR was 6 million (Iraqi Kurdistan profile, 2018). The inhabitants of the KR are of Kurdish origin and the majority are Muslims while the people living within the rest of Iraq are Arabic and also majority of them are Muslims. This means that there are quite significant cultural differences between the peoples and this is reflected in the attitude of the Iraqi government towards the KR. In fact, and as discussed in 1.4, until after the end of the 2003 Gulf War, Iraq and the KR even had differing currencies. These differences are discussed in detail in section 1.8.

1.2 Research background

Financial institutions play an important role in national economies by providing liquidity to both businesses and households by playing a role as an intermediary between surplus and deficit holdings (Bollard et al. 2011). The degree to how successful these institutions are depend on the regulatory system as well as how effectively the management of these institutions run and employ their resources (Amaghlobele et al. 2017). If the role of the bank as an intermediary is undertaken in an efficient way, then both surplus funds and deficit funds can meet in an efficient way as well as benefit the overall economy via long term economic growth and human development (Hoepner and Wilson 2010). Through promoting well-organised payment methods and giving savers different ways of saving and investment, banks can promote the long-term economic growth of the country (Foo 2005). Therefore, the efficient development of banking and financial systems as a whole not only benefits the economic growth but also leads to human development, through the

function by financial system of allocating resources leading to improving the quality of opportunities, increasing productivity as well as reducing poverty (Demirgüç-Kunt and Wilson 2012).

The banking system in modern countries contributes to the economy in a significant manner. For example, a study by the Office of Fair Trading (OFT, 2008) shows that the personal current account is a keystone of the retail financial system in the UK as the majority of households have a current account and 90 per cent of adults have at least one current account. Through current accounts alone, banks in the UK earned £8.3 billion revenue in 2006, but in Iraq, according to Hussein al Uzri, Chairman of Trade Bank of Iraq, it was estimated that up to 2011, there are still only 4.5m bank accounts in the country, meaning only 14 per cent of the population had bank accounts. This shows that the banking system in the country is not developed especially for a country with a population of more than 31 million (Drummond 2011). Meanwhile, Zulal (2012) argues that Iraq could be one of the richest countries in the globe, having a fourth of the oil reserves in the world and being one of the leading oil exporters, yet over three quarters of Iraqis do not have bank accounts. An International Monetary Fund (IMF) report showed that Iraq had suffered three devastating wars, a long period of economic and financial mismanagement and international sanctions imposed during the 1990s; this had traumatized the population severely and damaged political and economic institutions (IMF 2013).

Looney (2005) indicated that by March 2003 the Iraqi banking system was totally decayed due to the economic sanctions imposed by the United Nations and the previous regime's rule under Saddam Hussian's power. Compounding this problem, (Platt 2003) highlights that most of the financial institutions including the Ministry of Finance, the Baghdad

Stock Exchange and the two biggest state-owned banks as well as another 21 of the smaller private and state-owned banks were systematically looted or bombed, to an extent that even a year later there was no appropriate banking system in the country and Iraq was almost a cash based economy, many Iraqi citizens had lost their trust in banks and preferred to keep their savings in cash.

Due to the aforementioned reasons, the banking system in Iraq as a whole and in the Kurdistan Region (KR) in particular is underdeveloped. It has failed to attract customers and, therefore, the banks can no longer contribute to the economic growth as they should. In this regard, the Iraqi national and regional governments need to revise the country's banking system in order to support economic growth. Re-establishing a modern banking system, which then aids the newly privatized enterprises, will help the Iraqi economy. The IMF report in (2011) showed that if the Iraqi government wants to attract investors and to provide jobs for its people, it must strengthen the country's banking system and promote commercial banks to do their part in the process (Dinar Exchange 2011). The strengthening of the banking system requires both the financial system and the government to work together to make people feel the banks are a safe place to keep their money (Cecchetti 2003). The economic planners after the war began with a clean slate in which to establish a new banking and financial system and to move it from a centrally planned economy into a free market economy (Platt 2003).

1.3 Research journey

This section will describe the factors that led to the development of this study, the resultant research journey, the research topic, and the rationale of the study. After graduating from high school, I had a chance to join the College of Administration and

Economy and studied in the Administration Department at the Sulaimanya University in Sulaimanya city in Iraqi Kurdistan, where I gained a bachelor's degree in Business Administration in 2004. At the same time, the Kurdistan Regional Government decided to open a branch of one of the state-owned banks in my home town: this was the first state owned-bank branch to be opened in this town. As a result of my degree, I found employment with the bank and became one of the small numbers of staff who had built the branch from scratch. At this time, it was the responsibility of me and the other member's staff to introduce the new branch to the people in the town, to tell the people about the bank and describe the advantages of putting their money in. We were frequently asked similar questions by the people such as:

How much will my money increase if I put it in the bank?

How can I be sure that my money will not be stolen?

What if another war occurs and we are not able to get our money back?

Because of these worries, it was quite hard to encourage the local people to open an account in the bank. During the first year of the bank's operation in the area, a few people and some government offices did open accounts. However, this was because most government agencies, state-owned companies and some government employees are not allowed to deal with private banks and must deal with state owned-banks as their wages and funds have to be paid through state-owned banks.

After two years of working at the bank, I was awarded a scholarship from the government to study for an MBA in the United Kingdom. As I left the country and travelled to Jordan to get a UK visa (because at that time Iraqi people had to travel to Jordan or Turkey in order to get a UK visa), one of the things that attracted my attention was seeing cash

machines and how people interacted with the banks there and comparing it to Iraq where there were no cash machines and little interaction between people and banks. After entering the UK, I noticed how closely people in this country and the banks interacted so that it is not easy to find any adults who do not have a bank account and most official and personal transactions go through the banks. Additionally, it was noted how an efficient banking system in the UK helped the economy, including facilitating a payment system and money circulation.

After finishing my MBA, I went back to Iraq and got a job at one of the technical institutes as an assistant lecturer where the government paid the salary of the teaching staff through banks. I again noticed that this educated generation of academic staff did not trust their banks. Even though their salaries were paid through a state-owned bank, which was considered to be safer than the private banks at that time they withdrew the whole month's salary immediately in one transaction, and did not leave any money in their accounts.

During the two years working in the KR banking system, and comparing it with the developed banking system in the UK, I came to the belief that one of the most important factors that led to the unstable financial system in Iraq and the Kurdistan region in particular, is the lack of a strong and well-established banking system in the region.

In 2010, I again got a scholarship to study for a PhD abroad. I wanted to research a topic which is both for my interest area and helps my country; a number of issues came to my mind and in the light of the above experience, I have decided upon a research topic (How to develop trust in a distrusted banking system of the Kurdistan Region in Iraq) for this thesis.

1.4 Rationale for research

As previously discussed, the banking sector is one of the fundamental pillars for economic advancement in any country. Both the banks and investment go hand in hand to foster the process of growth and development of the country's economy (Njiiri 2015). While in some parts of the world the development of banking systems has gone far beyond traditional banking into areas such as mobile and internet banking, the banking system throughout Iraq still struggles to play its role even in traditional ways, acting more like a money storage facility for the government than a safe haven for personal investors (discussed in more detail in section 2.2). Currently, only a small proportion of the Iraqi people use bank accounts preferring to keep their money in the form of cash (Aseel and Bayoumy, 2012). This shows that there is an urgent need to investigate how this behaviour can be changed.

One reason for the limited use of the banking system is the fact that although the banking sector was operating moderately well up until the gulf war in 1991 (Khalil 2016), during that period many banks were looted (see section 2.2). Trust is one of the most significant advantages and distinguishing factors of the financial system as well as a strategic factor in the continuity of operations between the banks and its customer (TÓTH 2009).

In such an environment as previously described, conducting financial and banking transactions is not practical and financial and banking institutions have a long process for improving their practices in a way that makes it easier and more attractive both for individuals and institutions to deal with them. While it is essential that banks throughout Iraq are able to attract and retain customers by improving their services and ensuring people that are dealing with banks are totally safe, it is accepted that Iraq is a large but not homogenous country. Therefore, this research study will concentrate on one region,

the KR to try to identify how banks can develop the trust that has been lost and create a viable proactive banking system that is then able to continue to the regions overall financial development and stability.

It will provide an overview of the banking system in the country overall and then through the use of qualitative and quantitative research approaches confirm why the people of the KR lost their trust in it and how that trust can be restored.

1.5 An overview of the Iraqi banking system

There is an old saying that gold is both for storing and decoration but people in Iraq as a whole and in the KR, in particular, are taking this saying seriously. Due to the absence of a proper banking system, they use their money to buy gold to keep in their houses as they believe this is safer than putting their money in the banks. In the absence of a trustworthy banking system or market for securities, stocks and bonds etc, people feel left with no other choice than to buy gold and keep it in their homes (Zebari 2013). Rebuilding the Iraqi financial and banking sector after 2003 remained an enormous task. It became even harder because of the sectarian diversity; such as the violence between the Iraqi Sunni and Shia, which are different religious groups within the Muslim community; and also, the tensions between Arabs and Kurds as different national groups within one country. There was even a difference in the currencies in use between KR with its Kurdish population and the rest of Iraq with its Arab population, from 1991 until 2003. The bill in circulation in the KR was called Swiss Dinars and Saddam's Dinar was used in areas under the control of the former regime. But after the 2003 war a new Iraqi Dinar was introduced which was designed on the old Swiss Dinars and put in to use all over the

country including the KR region, both the two old types of currency were cancelled and removed from circulation (Bowen 2009).

Not just Iraq's infrastructure but also its social and economic institutions need to be rebuilt to create an environment that can attract funds, and bring new technology and skills to enable the country to develop its economy. The country's enormous oil resources should be accompanied by strong institutional systems and an encouraging business environment so that these resources can be used effectively (IMF 2013). However, in 2005, two years after the end of the war, creating a secure environment and rebuilding a modern banking system in Iraq was still challenging and was likened to rising from the ashes. The banking system did not act like normal banks whose main function is lending money and accepting deposits. Rather they just operated as an accounting department for the government to distribute its money for its offices around the country; the Central Bank of Iraq could not perform its monetary policy as there was not a clear connection between the Iraqi banking system and the real economic activities of the country (Sekerke and Hanke 2005).

The Iraqi financial system is dominated by the banking sector and among them, the state-owned banks, in particular, the Rafidain Bank, Trade Bank of Iraq (TBI), and Rasheed Bank dominate the sector with 75 per cent of the assets (Nasr 2011). The operation of the two largest state-owned banks (Rafidain and Rasheed banks) are inefficient as they are still suffering from the past losses which they faced because of the war. On the other hand, the private banks (banks that are not owned by the government) are in the process of modernising with many being established recently; however, they still need more consolidation and strengthening. In addition, the private banks work on an unequal playing field in relation to the state-owned banks (SOBs) as the state-owned banks benefit

from the restriction forcing government agencies to deal only with the state-owned banks and not the private ones (Jawad 2014).

Even though the effect of the second Gulf War in 2003 was similar for both private and state-owned banks, the restriction of the private banks from lending to public agencies resulted in private banks suffering less than state-owned banks from the losses which occurred during the war. Most of the private banks moved their banknotes to the Central Bank of Iraq and by doing it avoid the heavy losses. But for the state-owned banks, Rafidain state-owned bank alone lost \$300,000,000 to looters and many branches including its head offices were totally looted or burned (Myers 2011).

1.6 Research aim and objectives

This thesis aims to establish how the Iraqi Kurdistan banking system can develop the trust of the public. This will be done by:

- 1 - Critically reviewing the relevant literature in relation to consumer use of and trust within banking systems with specific reference to Iraq and countries in the Middle East
- 2 - Developing a framework identifying those factors which inhibit and promote trust.
- 3 - Identifying and evaluating the nature of the existing financial / banking systems in Iraq and the Iraqi Kurdistan region (KR)
- 4 - Undertaking primary research to determine any particular issues which prevent the Iraqi population from developing trust and so use of the banking system in the KR.
- 5 - Developing recommendations for how the government and banks of KR could create trust in the banking system

1.7 The proposed contribution of the study

This research aims to contribute to knowledge in the area of developing trust rather than the more widely explored area of developing trust. It will investigate how trust in the banking system of a developing region was weakened and what measures might best be taken in order to develop that trust again using the KR as a case study. Like many other countries and regions, within the Middle East, in particular, the KR is a potentially rich region with significant oil reserves which because of political instability and three decades of war, has become poor. The people have lost trust in many of the administrative systems needed to return the region and country to financial stability and economic growth, including the banking system.

The study will also provide considerable insights into the perspective of regions that are currently moving through the transition period. A further contribution of this study will be in providing new information for banks and government by identifying the barriers to re-establish trust and identifying how those barriers could be overcome. Lastly, it is argued that this knowledge will benefit the Kurdish and Iraqi society if it enables the banking sector to become effective in supporting economic development.

1.8 The Profile of Kurdistan Region

Iraq has a long history as the early civilization was started in Iraq which can be traced back to 7,000 years ago and some refer to it as the cradle of many civilizations such as (Sumerians, Akkadians, Babylonians and Assyrians), besides the first written laws were found in Iraq during the great rulers such as Hammurabi (1792-1750BC) (Ranjan & Jain, 2009). Iraq gained its independence from Britain on October 3, 1932. Iraq was ruled by Baath's party for more than four decades until 2003, where coalition forces

ended their rule, and since then Iraq started to write a new constitution to reform and remove most of Baath's laws (Paanakker 2009). Iraq after Saddam was a war-torn country and there was lots of efforts to rebuild the country after the war because of a variety of challenges that faced Iraq at that time, for example, Crocker (2004) indicated that Iraq is in front of two major challenges; first, moving from centralized economy to a market economy; second, reconstruction of its economy after the war.

The Kurdish as an ethnic group who lived in Iraq throughout history, have never had any effective participation in ruling Iraq or even their own cities. The Kurdish region is located in the North of Iraq and Kurdish people gained their semi-independent from the Iraqi central government after the uprising in 1991 when the Baath's power was weakened due to the coalition forces attack on Saddam Hussein after he invaded Kuwait (Stansfield 2003). After that, the first election in the KR was run in 1992 to select 111 members for their parliament was followed by the first Kurdish government. But this opportunity was not fully exploited by the Kurdish politicians when they started the civil war in 1994 between the two major parties (Kurdistan Democratic Party KDP and Patriotic Union of Kurdistan PUK) and even after the civil war ended in 1997, both parties formed their own government by dividing KR into two zones (Anderson and Stansfield 2005). These two governments were merged in 2006 and since then Kurdistan region has had one government. After the fall of Saddam's regime in 2003, the Kurdish authorities decided to go back to Baghdad and participated in forming the new Iraqi government where the new central government granted federalism rights to KR. While KR is still part of Iraq, but it acts as a different country in many cases and the Kurdish people are still hoping for having their own country in the near future.

The Kurdistan region is rich in natural resources such as oil, natural gases, marble, and phosphates. The region's oil reserves are estimated to be around 45 billion barrels which make the KR a very rich country if the government can exploit that resource efficiently. Besides, the region also has fertile land that is suitable for growing wheat, rice, barley, vegetables and a variety of fruits while it is a suitable place for raising cattle and poultry (Stansfield 2003). Kurdistan is very different from the rest of Iraq as some call it (another Iraq) which is recognised by its stability and security while in the rest of Iraq there are daily instabilities and unrests. The region consists of four governorates namely (Sulaimanyah, Erbil, Duhok, and Halabja) with a population of over 5 million (KRG, 2016). Figure (1-1) shows the map of Iraq, including the Kurdistan region.

Figure (1.1): Map of Iraq and Kurdistan Regional Government coloured (in red)



Source: KRG (2016)

1.9 Summary

Banks are an important factor for economic development in any country but banks in Iraq and KR have lost this role due to their inefficiency; they even lost some of their trust among the Iraqi population. This was mostly a result of the consecutive wars that Iraq faced during the last 30 years. Even though Iraq came out of war in 2003, its banking system does not show any progress. The KR banking system is also characterised by inefficiency and it also lost most of its trust and needs enormous revision. The Iraqi government is responsible for the monetary policy for the entire country including KR Region, but when it comes to restructuring the banking system, its role cannot be praised.

The next chapter will review literature on trust in the banking system and how trust can be developed. It also highlights the impact of some factors such as religion, culture, foreign bank entry and the similarity of the Iraqi banking system with that of Former Soviet Union countries.

Chapter Two: Literature Review

2.1 introduction

To attain the first objective of this study, the chapter provides a critical review of literature in relation to consumer use of and trust within a banking system with specific reference to Iraq and KR. The chapter highlights the current banking system in Iraq and KR then moves to address the issue of trust in consumer service and then trust in the banking sector specifically. This is followed by a review of the banking system in transition countries with specific regard to the bank crisis and the role of foreign banks in those countries. Then the chapter outlines banking system privatisation followed by addressing the relationship between religion and banks. The section highlights the characteristics of Islamic banks and then discusses the main differences between the Islamic banks and non-Islamic banks followed by the role of banks in investment and economic development of any country. Information and IT in the banking industry are also highlighted followed by a chapter summary.

2.2 The current banking system in Iraq and the Kurdistan region

Corrigan (1990) identified the role of banks and financial systems through their main functions, which are organizing the savings of society and putting it neutrally and accurately into the most effective use and investment. Pagano (1993) added that a further contribution of the banks is in supplying services like helping trade transactions, diversification of risk, and providing savings to the most productive investment projects through examining and checking borrowers. The current overall financial system in Iraq and KR is weak. While most of the bank branches restarted their operations after the American invasion in 2003 and only a few offered credit facilities to the people of the

country as only a few banks were able to lend money for more than a year (Hall 2012). In the light of the poor credit culture and the lack of a sound banking system, the banking industry remains dominated by state-owned banks and most of the private banks are relatively small with their services limited to a few specified customers (Nasr 2011). Even in the mid-1990s, as Cobham (1995) indicates, the financial system in Iraq and KR was underdeveloped. Indeed, it barely represented a financial system because the banking system in Iraq was operating as part of state economic plans much like the banking system in the Former Soviet Union, which had a small role as financial intermediaries. Whereas Iraqi and KR banks provided loans for government enterprises with limited lending to the private sector (Zulal 2012). The Iraqi and KR banking system has very rudimentary credit facilities, a weak payment system, and the Iraqi government is heavily reliant on oil revenue to finance its expenditure; a sound financial and banking system can help the country's economy rather than relying on it (Zulal 2012). The Iraqi financial system is underdeveloped and underperforming with banks controlling 75 per cent of the overall financial system's assets. That is to say that the other non-banking institutions like (insurance companies, mutual funds and pension funds) are relatively small and underdeveloped; their access to finance is impeded by weak financial infrastructure and unstable political situation (Nasr 2011).

The limited availability of private banks is a result of the fact that the government and its state-owned institutions only permit bank accounts to be held with the state-owned banks, and state enterprises are not allowed to borrow from private banks. This is a serious obstacle to the development of a private banking sector (Hall 2012). A further factor that impedes the development of private banks is that it is difficult for people to borrow money from the banks as the collateral for loan guarantees are mostly in the form of real estate.

The real estate has to be registered with the Offices of Justice Ministry, so this is an obstacle for people who do not own any real estate. As well as real estate collateral, some banks accept third party guarantees (Bowen 2009).

However, creditworthiness is not the main criteria for granting loans when people ask for them instead. Those whom loans should be given to is usually decided from the higher administration through the government which means that state banks give loans to whomever the ministry of finance tells them. By doing that it questions the trustworthiness of the banking system (Myers 2011). When the borrowers are not creditworthy, they cannot get a loan so the bank asks for collateral; the main task of the collateral is to solve the asymmetric information between the banks and the borrower and through collateralising the borrower contributes to the financial risk with the bank (Hainz and Teksöz 2006). Myers (2011) suggests that while the public lost their trust in the Iraqi banking system, creating a modern banking system in Iraq should start with re-the establishment of public confidence in the system. Besides, Al-Janabi (2013) believes that promoting banking awareness is one of the procedures that banks can do in order to develop their trust among the Iraqi people. This is what Singh and Bradosti (2015) stated in their research as they indicated that Iraqi people are basically not aware of the benefits that banks can provide; as a result, citizens are reluctant to use banks.

The new Iraqi economy demands new requirements from the financial sector. Between 1991-2003, both Iraq's banking system and the financial sector were working separately from international financial practices, but after that and especially after 2009 onwards, the Iraqi banking system has been improving, in that it is now in a continuous attempt to adopt international best practice and there are some attempts to develop a modern banking system (Nasr 2011).

2.3 Trust in consumer service

The marketing relationship approach proposed that in a service transaction between buyers and sellers, it is not only the exchange of money and service but also, they usually build a continuous and trusting relationship that benefits both parties (Johnson and Selnes 2004; Palmatier et al. 2006). This provokes the idea that providing service is not enough if there is no established relationship between the service providers and their customers. This relationship is expected to develop, depreciate, and even disappear as a result of the nature of the interaction between the parties involved (Harrison 2003). According to Huang (2008), trust and satisfaction are major factors that develop the relationship between sellers and buyers.

The past two decades witnessed an increasing concentration of relationship marketing; as a result, trust constructs gained significant attention in many industries (Kantspurger and Kunz 2010). In this regard, relationship marketing considers trust as a tool to expand and sustain lucrative relationships for the reciprocated intentions of the parties engaged (Palmatier et al. 2006). In addition, a number of researches have argued that if businesses want to be successful, they need to have trust among their consumers as trust is a prerequisite for a successful business because consumers do not like to make a purchase if the seller is not trustworthy (Jarvenpaa et al. 1999; Urban et al. 2000; Gafen 2002). Therefore, the consumers' viewpoint on the seller's trustworthiness affects his or her purchasing decision (Gupta et al. 2009).

In a statement, Rutter (2000, p.2) wrote about trust as:

Every day, and often without any reflection, we place our trust in people and the services those people provide: we trust that our friends will not betray our confidences, that the food we buy will not poison us, that the car we travel in will not explode, that the chair we sit on will bear our weight, that people will

listen to us when we talk to them, that our parents tell us the truth and so forth.

The ability and motivation of the seller to offer the service with the quality imagined by the consumers, in turn, provides trust for their consumers (Jervenpaa et al. 1999). besides, Geyskens et al. (1998) opined that the trust of consumers developed when the consumer has an affirmative trusting stand in general with previous relations with the seller or when the consumer is protected by a strong legal system.

Several studies have indicated that attitudes and behaviours of customers can be affected positively by trust, for instance, superior customer loyalty (Agustin and Sing 2005); trust can minimise opportunistic behaviours (Rindfleisch and Moorman 2003); increases the number of service users (Maltz and Kohli 1996); increases customer commitment (Jap and Ganesan 2000); expanding and retaining high-quality relationships (Moorman et al. 1993; Morgan & Hunt, 1994). Furthermore, a number of researchers have identified some actions which can help companies to improve trust such as establishing excellent communication with customers (Doney and Cannon 1997), making the customers satisfied with the service (Ganesan 1994; Hibbard et al. 2001) and strengthening the tie between themselves and their customers (Kumar et al. 1995). Additionally, shared values, lack of opportunistic conduct and communication are antecedents of trust (Morgan and Hunt 1994; Mukherjee and Nath 2003). There are two types of communication which are writing and in-person communication, writing communication includes personal letters, emails, machine-mediated interactions, and in-person communication relates to face to face interaction before, during and after service providing.

Furthermore, and especially over the last 30 years, the concept of trust has become a significant interest in many disciplines. Much of this interest was and is about the

important role of trust in commercial exchanges, business to business relationships, marketing, seller-buyer relationships and customer relationship management (Blois 1999: Coulter and Coulter 2002). This significant attention paid towards trust identifies the importance of the role of trust in a non-concurrent transaction as this kind of transaction creates uncertainty and risk; trust can help to reduce this uncertainty (Andaleeb, 1992). While risk is unavoidable in any contract, trust minimises the probability of opportunistic behaviour (Sako and Helper 1998).

Trust exists when one party has confidence in an exchange partner's reliability and integrity. To achieve customer's trust, a company's strategy must communicate effectively and adopt the customer's relationships norms as well as avoid negative reputation (Adamson 2003). There are different definitions of the concept of trust between economists, psychologists and sociologists (Rousseau et al. 1998). There are a number of potential explanations for such widely varying definitions of trust. For example, trust can exist in various levels of analysis and each level has different types of trust like (groups, individuals, businesses to business, organizations or social levels) and each level has a different nature of trust (Li and Betts 2011).

Despite the indisputable significance of trust, the term is conceptualized and investigated in different ways, and there is no an explicit definition, previous research conceptualized trust according to different aspects such as benevolence, reliability, confidence, credibility or honesty (Morgan and Hunt 1994; Garbarion and Johnson 1999, Grayson et al. 2008; Kantspurger and Kunz 2010).

Some of the different definitions of trust are:

Interpersonal trust is defined here as expectancy held by an individual or a group that the word, promise, verbal or written statement of another individual or group can be relied on (Rotter, 1967, p. 651)

This definition indicates that trust in a business perspective has two requirements. First, the buyer's faith or expectation regarding the definite features of the seller; and second, the buyer's readiness to depend on that seller,

Trust is defined as a willingness to rely on an exchange partner in whom one has confidence. (Moorman et al. 1993, p. 82)

This definition also concentrates on the readiness of the customers to depend on the seller's promises, and (Lewicki et al. 1998, p. 439) defines trust as "*We define trust in terms of confident positive expectations regarding another's conduct*"

This study defines trust in the banking industry in the KR as the readiness of Kurdish people to deal with banks, believing that the banks will carry out their obligation regardless of the people's capability to monitor and check the bank's activities or transactions.

According to Warkentin (2001), trust has two main dimensions which are benevolence and credibility. Credibility means that the service provider has the required capability to carry out the transaction in a reliable and effective manner (Kantsperger and Kunz 2010), while Benevolence is the belief that one side of the contract is truly interested in the welfare and benefits of the other side and will act in a favourable way to the other side even under hard and difficult times (Doney and Cannon 1997).

Both elements are different but critical for trust, it is conceptually distinctive when a consumer has trust in the seller's benevolence but does not have trust in its credibility, or whether he or she has trust in both credibility and benevolence of the seller. A firm can have the ability to deliver the right outcome in the required quality, but due to selfish reasons or incentives, does not act in the consumer's best interests. In contrast, a seller

can be totally benevolent when it comes to the customer's needs but does not have the exact capability to provide the required quality for the consumers (Kantsperger and Kunz 2010). Yet both of the elements are significant for consumer's trust as if the company lacks one of them, it might endanger the relationship with the consumer. Additionally, Ball et al. (2004) illustrate the role of benevolence by:

The consumer cannot always tell if the service provided is up to a high standard. That leaves the consumer to trust to the benevolence and integrity of the service provider. Second, benevolence trust may be critical because (particularly in the case of strong retail relationships such as banking or mobile telephones), the consumer may perceive the firm as being in a more powerful position due to the difficulty of switching. The consumer is sometimes vulnerable, and therefore trust in the benevolence of the firm is an issue (Ball et al. 2004, p. 1276).

Trust as a behavioural intention entails uncertainty and vulnerability because it depends on a partner's benevolence. Without vulnerability and uncertainty, the existence of trust is inconsequential because when the trustor has absolute information or can change the action of the partner, then trust becomes unnecessary (Coleman 1990; Deutsch 1958; Giffin 1967)

The majority of researchers believed that trust can be considered as one of the future relationship variables which specific vulnerability of the trustees involved (Morgan and Hunt, 1994; Agustin and Singh; Grayson et al. 2008). However, differentiating between real trustworthy exchange partners and exchange partners that only allege to be trustworthy is not easy (Williamson 1985). Given that one cannot easily separate between these types of exchange partners, the role of the legal system can be a logical and efficient way of reassuring competent exchange (Barney and Hansen 1994). This is what Cook and Luo (2003) called third-party seal; they opine that the main rationale behind the intermediary (third party) is to assure the buyers that the service provider is trustworthy.

This third party is usually a well-known body (who has an intermediary role) that customers trust and these third parties participate in building trust as customers transfer their trust from that known body to the unknown entity that customers have slight or no direct experience with them. In this regard and in order to build trust, customers first need to be able to recognize that trustworthy third party and also be able to find a tie between the unknown entity and that trusted third party because customers usually put trust in the reliability of the intermediary (Coleman 1990). However, customers have to trust the intermediary first then they are expected to trust the service provider, and this intermediary in most cases reflected in Law enforcement system or the government. For example, Stix (2003) opined that when people are reluctant to depend on financial intermediary because banks lost trust, trust can be increased in banks by Policy measures such as deposit protection or bank regulation. Furthermore, Egger (2003) also stated the importance of the third-party seals in developing trust, the concept here is transference process, Egger (2003, p.22) defines the transference Process as:

One will trust a party more easily when it is trusted by others one trusts. It can be compared to asking references from another party. This process can be of particular importance when one has no prior experience with the other party.

On the other hand, as regulators and specialists repeatedly claim, it is not only the action of an individual firm and its agents that influence the customer's trust but the trust can be influenced by the broader context in which the transaction is happening as well (Grayson et al. 2008). Based on that, broad context trust requires policymakers to create an environment so that people trust the broader context for each business such as the banking industry or any other industry if they want to develop trust among their people.

2.4 Trust and the banking sector

The activity of banking has existed since the development of the ancient civilizations. In Babylonia during the second millennium B.C, banking activities were sufficiently significant as to be included in the first written laws of the Hammurabi (Davis 1994). Clearly, this type of banking service was not the same as the banking service today because deposits were mostly in the form of precious metals like gold and silver or cattle and grains (David 1986). Furthermore, David, (1986) and Downey (1986) stated that together with the development of money, banks were developed and started to offer financial services during the 1800s B.C in Babylon. The origin of the word (Bank) refers to the French word (Banque) or Italian word (Banca) which referred to the money changers table located in the centre of commercial districts of towns.

There is a difference among the scholars opinions regarding the beginning of banking service in the world, for example, according to Rose and Hudgins (2014), historians identified the first bankers more than two thousand years ago, but, Downey (1986) indicates that banking services were was clearly identifiable were started almost five hundred years ago after the development of money-based financial systems. However, more recent research by Hildreth (2001) suggests that the first institution which was similar to the banks of today was established almost seven hundred years ago in Venice and that it remained without any competitors until the beginning of the fifteenth century when similar institutions were established in Genoa and Barcelona

The main purpose of banks can be summarized as accepting and keeping deposits, allowing their clients to withdraw their deposits at any time, lending money to customers who need money and providing other financial services such as investment advice or other financial advice ((Whiting, 1985; Perry, 1989).

Acquiring the necessary liquidity and credit can be achieved through a strong banking system in a country which then leads to the development of a market economy. An efficient payment mechanism that banks can generate will offer savers different ways of saving and investment which should lead to long term economic growth (Foo 2005).

The main function of the financial markets is to direct funds to those individuals and institutions that have useful investment opportunities. When this role is not fulfilled by the financial service system; the economy cannot perform well, which then leads to a slow down the economic growth (Mishkin 1999).

Worldwide, there has been an erosion of trust both between banks and investors on the one hand, and between banks and their customers on the other hand (Hoepner and Wilson 2010). Additionally, Wheatley (2012) showed that in recent years; banks alongside the other financial services seem to have lost their trust among the public and it is not something that happened only in the UK but is worldwide, and the biggest reason for this is the recent financial crises during 2008 global crisis in the financial and banking sector, after which companies had to develop trust among the public.

After the financial crisis around the world in 2008, there has been great concern regarding how banks can develop the trust of their customers. One of the efforts banks have made since then has been to hire extra compliance officers. However; research has shown that banks need to concentrate more on benevolence rather than on compliance because trust will be developed when one party feels that the other party has a true benevolence (Cremer 2015).

Trust is essential to the financial system and economy. In the past where the communities were small, trade and finance developed among people who knew each other, and trust

or mistrust developed naturally but nowadays, transactions and trade are usually conducted among strangers. Therefore, trust or mistrust cannot be developed as it did in the past (Frankel 2008). There is a big role of trust in the way that financial service institutions provide services to customers, yet there is increasing anxiety as to whether these institutions are trustworthy and to what level customers trust them (Ennew and Sekhon 2007). Meanwhile, Roma'n (2003) indicates that it is very important for the financial service industry to produce an environment where people feel that the financial institutions treat them impartially and deal with their money safely.

Social capital can play an important role in developing financial markets because financial agreements are significantly trust-sensitive agreements (Guiso et al. 2004). Finance is about exchanging an amount of money now with an expectation of extra money in the future; the possibility of such an exchange to happen relies not only on the legal side of the contract but also depends on how much the buyer trusts the seller, and the role of trust becomes prominent in financial contracts when the legal enforcement weaker, especially among less educated people (Guiso et al 2004).

As financial sector companies are in charge of managing their customer's money, and since the customers might lack the ability to adequately assess the financial outcomes of the service provided, trust in this sector is even more important (Hansen 2012). Moreover, Harrison (2003) indicates that customers in the financial sector usually buy a batch of promises; financial firms promise that they will protect the customer's funds and their financial benefits. Therefore, trust is a generalised assumption of how the financial firm will act in the future. Beliefs of adequate conduct will shape that generalised assumption, or it can be formed by previous experience between the firms and their customers (Harrison 2003).

Trust also has a big role in the banking industry because banking activities relate in a significant manner to security, privacy, legal, technical, and reputation all of which depend upon trust relationships. Researchers broadly recognised the significance of trust in the banking industry because the relationship between banks and their customers is special as it relates to valuable things like money or other valuable documents or properties (Mcknight and Chervany, 1996).

Virtually every commercial transaction has within itself an element of trust, certainly any transaction conducted over a period of time, it can be plausibly argued that much of the economic backwardness in the world can be explained by the lack of mutual confidence (Arrow 1972, p. 357).

According to Ennew and Sekhon (2007), one of the factors that lead to the necessity for trust is the existence of risk; if there was no risk involved or if the result of an action were definite and positive, there would be no need for trust. Ennew and Sekhon (2007) also believe that interdependence between the participants in a particular action is another reason for the necessity for trust; if the actors are not dependent on each other somehow, there would be no need to trust. The level of trust in a society is a powerful predictor for its economic development and achievement (Arrow, 1972; Fukuyama, 1995). Business transactions are based on a degree of trust between parties. While well-known legal enforcement processes like contracts and guarantees play a considerable role in providing security for the agreement, the personal relationships among the parties also have a part to play (Kini 2000). According to Cook and Luo (2003), building trust is difficult, but losing it is easy, including considerable cost implications. Economists claim that trust is widespread in exchange relationships, specifically due to opportunistic behaviours (Hill 1990).

Trust engages a repeated exchange of roles between the trustor and the trustee; therefore, if one party is looking to be trusted but does not trust the other side, the other party sooner

or later will stop carrying out all the risk and stop the relationship, as a result, trust will vanish (Green 2016). Meanwhile, Sapienza and Zingales (2011) argue that trust is required in the contracts signed among financial firms. The way financial markets work may be affected by a diversity of social norms because the financial contracts include having to pay more money in the future for a specific loan borrowed today in the form of interest. Additionally, personal trust is more important in contracts that are relational because trust will be built when interactions are repeated over time.

In the current days, both institutional image and trust are important instruments for financial service providers as they face new challenges, like the increase of new technologies and the tough competition of using new channels for running businesses (Flavian et al. 2005). Trustworthiness and accountability for a corporation is fundamental necessity for attracting the financial resources needed to sustain its strategy. Corporations with a stronger reputation appear to face market instability better than those with a weaker reputation. Companies will benefit from their good reputation as a reservoir of goodwill especially during crises and even when the prices of their company's shares are dropped (Mazzola et al. 2006).

Grayson and Ambler (1999) show that the outcome of trust on progressing relationships depends to a great extent on the nature of the sector, and that effect can be seen more significantly in the service sector than for goods producers, as a result, trust can be more important in the banking sector as the nature of banking sector is a service provider. For example, Joseph et al. (1999) believe that using the latest technologies in banking services is a common phenomenon in developing countries and that new technologies such as cash machines, online banking and mobile banking are applied to cut down costs as well to

reduce uncertainties. Regarding trust in the financial institutions where banks are the major part of it, Roman (2003) believes that it is very important for financial institutions to build an atmosphere where people trust the industry and believe that it treats them honestly and their money is being handled with reliability.

As the banking sector is a key element of the financial system, the same important role of trust in the financial system will affect the banking sector. And any negative experience with the financial sector will affect the banking sector, for example, Jansen et al. (2015) stated that negative experience of the past financial crisis affected trust in the banking system.

Trust is an important aspect in bank marketing and due to its role in the recent financial crises, it is becoming a differentiating feature and strategic factor in producing a balanced and constant process for both individual banks and the banking sector as a whole (TÓTH 2009). Customers usually trust banks because they believe that banks are dependable especially if their previous experience with banks has been positive, and customers who showed slight confidence in their banks indicated that they do so because they believe that banks looking for their own interest only (Seegers 2016). Handling customer complaints is an indicators of firm's good quality. Firms should realise that customers leave banks because the firm failed to resolve their problem and it is one of the major indicators of consumer satisfaction (McDonald 2014). In a similar indication, Seegers (2016) showed that complaint resolving was one of the factors that lead to the development of trust in banks. Furthermore, it is very important for service providers to handle their customer complaints, inappropriate or slow treatment of complaints might

rationally be viewed by consumers as opportunistic attitude or as ineffectiveness (Ball et al. 2004), thus affects negatively on reliability and then on trust (Ganesan, 1994).

Keeping cash at home is an indicator that people do not trust banks. For example, Stix (2013) believed that people prefer to keep their money at home is that their trust in banks is weak as a result of the previous bank crises. In Iraq, 77 per cent of the money in circulation is kept outside of the banking sector and it creates a tremendous concern because this made banks short on deposits. The main reason behind that is that people are reluctant to trust the banking system (Raheem 2016).

Lastly, another factor that promotes mistrust is unfamiliarity, which means the lack of previous experience with the service provided or having trouble understanding the benefits of such services; developing trust needs an element of familiarity (Egger 2003). Trust develops when repeatable transactions are conducted between the seller and buyer. This factor plays a significant role in developing trust by KR banks because as Singh and Bradosti (2015) stated that Iraqi people are basically not aware of the benefits that banks can provide; as a result, citizens are reluctant to use banks.

2.5 Transition economy

The transition period can be described as moving from the period during which the state had absolute control over all aspects of life in society including financial and economic into a democratic form of administration and market economy as seen in Central Europe, the former Soviet Union countries, and in Asian countries like China, Laos and Vietnam. The transition period led to essential socio-economic changes in these countries and these economic and social changes occurred more rapidly than in industrialized developed countries where this process has lasted over decades (Wachtel et al. 2008).

Transition economies have attracted a great deal of attention over recent years due to their role in participating in the world economy and the different steps that they followed to become a market economy. According to Delis et al. (2011), a market economy is an economic system, where the intervention of the government in the economic activities is slightly observed, pricing and economic decisions are directed through the businesses in the market. Transition economies appeared after the split of the former Soviet Union in the late 1980s and early 1990s. Almost every country has experienced some period of transition in the last century, including the transition period during the collapse of the communist system. However, the transition period during the fall of the communist system is not comparable to any other transitions in other countries due to a large proportion of the transition happening in just three years (1989-1991). Despite this, the transition period during the fall of the communist system has attracted attention from many economists, policymakers and academics (Zecchini 2013).

The aim of the institutional reforms in Central and Eastern Europe and (Former Soviet Union) countries was to move from a centrally planned banking system to the market-based financial system. Before the transition, banks in the former Soviet Union economies acted like an accounting system for the state's plans, they were not independent in decision making and there was not any competition (Hersic 2007) this experience in transition economies can be useful when investigating the banking system in Iraq and KR because Iraqi and KR banks nowadays operate in an atmosphere which very close to that happened in the transition period where state banks controlled most of the banking industry and their performance is inefficient, and the country is in the process of moving towards a market economy. The aim of banks in the socialist economies before the transition period was to enable state-owned companies to complete their plans by

providing them with financial support, mostly without any collateral. Accordingly, when the Soviet Union and other communist states collapsed, many companies could not pay back their debts without aid from the government (Hersic 2007).

By 2005 the banking system in transition countries had grown considerably and diversified their services through a strong performance of the banks. For example, banks switched from lending to only enterprises to lending to households with a collateralized lending mechanism that includes most of the credit growth today (Wachtel et al. 2008).

The share of the private banks in the total assets of the banking system is one of the measurements for the transformation of the role of the state in the banking system (Fries and Taci 2002). This shows the degree of the state's withdrawal from direct control over the banking system. In Central Eastern Europe and the Baltic States (Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, the Slovak Republic and Slovenia), the banking systems have developed as the state has pulled out from the direct supervision over banks. This occurred alongside institutional growth and reforms through the strengthening of the regulatory and legal frameworks which support both enterprises and household lending. The countries of South-eastern Europe (Albania, Bulgaria, Former Yugoslav Republic of Macedonia and Romania) pursued the same mechanism at a slower pace with some difference. For instance, they paid less attention to the privatisation and concentrated more on enterprise reforms (Fries et al. 2006). At the start of their transition period, these countries were identified by the complex economic and political situations especially misallocation of resources, trade flows, and macroeconomic imbalances (Fries and Taci 2002). Gorton and Winton (1998) stated that banking and instability seem inherently inter-twined. and the issue of banking system stability in transition economies has received a great deal of attention since then as banking system

efficiency is important. There is evidence that banking systems in transition economies were not only unstable but inefficient as well. For example, banks in transition economies created less credit compared to the banks in developed countries. Also, they provided finance for state-owned enterprises while these enterprises themselves were inefficient (Wachtel et al. 2008).

If privatisation is carried out appropriately, it improves the banking system activities, as was seen in a number of Eastern European transition countries where the policy was successful and more effective than allowing the enterprises to stay in the state's control (Nellis 1999). In addition, Fries and Taci (2002) stated that the existence of foreign banks in transition countries had a significant impact on the growth of customer loans. This impact led to a change in policymaking; which made it easier for the foreign banks to enter the country. While the privatisation of the banking system was slow, there are indications that private banks direct customer loans more efficiently than state banks. This is an indicator that shows the importance of the privatisation of state-owned banks in developing the industry.

2.5.1 Bank crisis in transition economies

The purpose of this section is to compare how close the current banking system in Iraq is similar to those in socialist countries before their transition. As previously noted, the banks in the transition socialist economies were characterised by weak performance, like many other firms, banks needed reform at the beginning of the transition (Bonin et al. 1998).

In the late 1980s, the central and eastern European countries along with the countries of the former Soviet Union started to extensively liberalise their economies leading to the

development of the concept of transition economies (Drakos 2003). The cornerstone of this transition was establishing an active and stable banking system (Saunders and Sommariva 1993). Before the transition period, the banking system in socialist countries was identified as inefficient in how they allocated their credits (Thorne1993). The development of modern banking systems in transition countries required some specific steps; the first step was breaking down the state's monopoly bank into different banks and privatising a number of them. The second was licensing a number of private banks including foreign banks which increased competition among banks to offer a better service especially when the foreign banks were able to provide better services because they had modern technical systems which the domestic banks were missing (Saunders and Walter 1991; Bonin et al. 1998).

In the transition economies like Central Europe and the former Soviet Union, an efficient banking system was almost non-existent and at the early stage of the transition period many newly established private banks lacked the ability to provide necessary capital and skills to compete with the dominant government-owned banks and existing private banks (Fries et al. 2002). However, they started to develop during the several years of instability and macroeconomic decline which was accompanied by a number of bank crises such as the Russian financial crisis in 1998 (Bonin et al. 2008).

In an era of globalization, external factors played a significant role in the creation of crises, transition countries slowly stepped in to post-crisis development. Some of these countries like Romania and Moldova had significantly stabilised their banking system through successful banking supervision and regulations, which made a remarkable pace towards international and European standards in the field (Kovzanadze, 2008). One of the

main problems facing the transition economies is the lack of significant corporate governance to look after investors. Another obstacle is domestic finance hindering enterprise growth (Foo and Michelson 2003). The government in these countries started to intervene and created an environment to successfully deal with the bad loans and the weak banking regulations. The banking sector started to develop through fast movement in bank privatisation and bank consolidation which started in the late 1990s and early 2000s accompanied by the participation of foreign banks (Bonin et al. 2008).

The banking system in transition countries acted as indirect financial support to the troubled enterprises towards transition. Later these troubled institutions became a barrier for the banking reforms like efficient regulations and privatisation. These acts led the system into bank crises (Bulgaria in 1997 and Romania in 1999), but finally helped to establish a stronger reform (Fries and Taci 2002). The reform was in the form of legal and institutional reforms in which they were required to redefine the role of the state in these economies, establish the role of law, and introduce appropriate competition policies as well as restructuring and privatization. This led to the creation of a feasible financial sector reforming the enterprises in these economies to render them capable of producing goods that could be sold in free markets and of transferring their ownership into private hands (IMF 2000).

2.5.2 the Role of foreign banks in transition economies

The entry of foreign banks into the transition countries has attracted the interest of academics and policymakers since the 1960s when the flow of international trade and globalization of capital markets started to boost (Lensink et al. 2008).

In transition economies, the role of foreign banking entry might be more important than non-transition countries as Nilsen and Rovelli (1999) show that one of constraints to the growth of developed economies is the lack of domestic savings, especially in transition countries. Foreign banks can be defined as one in which more than 50 per cent of their shares are not owned by the local residents of the country in which it is operating. For example, City Bank is a local bank to the USA and it is a foreign bank everywhere else around the world (Lensink et al. 2008). One of the features that differentiate banks in the transition countries from other countries in developing and emerging markets is that a high percentage of their assets are held in foreign ownership (Bonin et al. 2005). There is literature about the differences between the efficiency of foreign-owned banks and domestically-owned banks. Two main reasons are proposed, first, that foreign banks are less submissive to the credit allocation regulations than the local banks, and second that domestic banks may benefit from informational advantages like the country's economic situation, language or politics when compared to foreign banks (Lensink 2008). The Central and Eastern European countries (CEEC) banking system has the highest rate of foreign banking entry (Mundial 2008). That might be useful for these countries as:

“Neoclassical theory predicts that financial integration can foster growth in emerging markets because it permits capital from rich countries to be invested in economies with low savings but high growth opportunities” (Giannetti and Ongena 2007, p182).

Focarelli and Pozzolo (2001) observed that for Organisation for Economic Co-operation and Development (OECD) countries, there is a positive correlation between foreign direct investment (FDI) and the ratio of exports to GDP. Weill (2003) believes that this observation supports the historical pattern of FDI that banks chase their clients. He also believes that empirical literature has shown a positive relationship between the share of

foreign banks and economic integration in developed countries and a positive link between the GDP growth of host country and the foreign bank entry.

Weill (2003) also raised the question as to whether foreign -owned banks outperformed the locally owned banks. He points out that while there is no detailed study available about this, the general belief is in favour of foreign-owned banks for two reasons. First, as the foreign-owned banks have private ownership, they may receive an advantage from better control by their private shareholders and provision of better incentives for managers. Second, foreign-owned banks can use their international know-how to analyse risks and better inform the running of the enterprise.

Levine (1997) believed that the benefits of foreign banks entry into a country would allow the country to have access to global financial capital, and improve the quality of financial services through bringing in the technologies that support the modern banking system. One of the factors that attracted foreign banks to the countries with transition economies was privatisation, for example when the Polish government privatized four of their local commercial banks in 1997, it attracted foreign banks especially when the Polish authorities asked the foreign banks to be engaged in the newly privatised banks. As a result, foreign banks dominated 60 per cent of the banking system assets by the end of 1999 (Weill 2003). In some other countries for example in Hungary and Estonia, the share of the foreign banking assets was more than 90 per cent in 2002 (Haselmann 2006). Drakos (2003) shows that foreign bank participation directly or indirectly leads to an increase in the performance of the banking sector in transition countries. The more significant foreign banks become in transition economies is an important factor in forcing the entire banking system to become more efficient (Hassan and Lewis 2009).

However, the efficiency of foreign banks compared to domestic banks depends on the economic situation of the host country. Berger et al. (2000) conducted a study using developed countries of Germany, Spain, the United Kingdom, France and the United States, which showed that foreign banks were less efficient compared to the domestic banks in these countries, as domestic banks in these countries had higher cost and profit efficiency than their counterparts of foreign banks in these countries. These findings were supported by Lensink et al. (2008) who found that while foreign banks in transition and developing markets were more efficient than the domestic banks but in developed markets, the foreign banks were less efficient compared to the domestic banks because the banking system in developed countries is already very efficient.

The government policy of the host country is also an important factor that stimulates foreign investment, particularly if that policy enables foreign investors to use and increase their own resources and capabilities. Thus, both the local government and the foreign investors have complementary interests regarding to institutional developments, although their interests' conflict in other areas (Rugman and Verbeek 2001). Bevan et al. (2004) also discussed the collaboration between the host government and foreign investors, highlighting the fact that, this collaboration promotes the development of the host country's institutions especially the private sector, fosters banking system reforms and supports the legal framework. Haselmann (2006) believes that this high share of foreign bank assets is a result of the privatisation of the banking sector with fewer entrance obstacles for foreign investors. Bevan and Estrin (2000) state that the cultural connection between the countries is another factor to attract FDI; for example, that the historical close cultural ties between Germany and the countries in Eastern Europe explain the German FDI share in these countries. Focarelli and Pozzolo (2001) show that the regulation in the

host country is another factor that affects the foreign banks entry; that tighter banking regulation decreases the foreign bank entries. Foreign bank entries do not always go easily as Mian (2006) concentrates on three distinct constraints which affect foreign banks behaviour when they enter an emerging economy. These are geographical or cultural distance, hierarchical distance and institutional distance and these distances cause higher agency, informational or enforcement costs.

Current research also shows that bad institutions are more discouraging for foreign banks than for local banks, for example, banks try to select the entry mode which suits them the most through evaluating the advantages and disadvantages when they choose to enter into another country, they might choose to acquire local banks (acquisition) through a joint venture or through (Greenfield investment) setting up entirely new firms (Lensink et al. 2008).

Working in an environment with a different corporate culture, legal environment, or regulatory framework might increase the asymmetry in information and make it more difficult for the CEO of a foreign bank to design policies that are specifically tailored for the developing country (Mian 2006, p.1470).

For example, a company might choose to enter through a joint venture when the host country's regulatory system is risky for foreign enterprises (Lensink et al. 2008).

According to Clarke et al. (2006), one of the differences between domestic banks and foreign banks might be that foreign banks tend to lend only to big firms and avoid lending to medium and small enterprises; the reason for this is that foreign banks treat the small and medium enterprise as not being transparent in providing information. However, Giannetti and Ongena (2007) suggest that the entry of foreign banks helps all sizes of firms in (CEEC) countries, although the lion's share goes to big enterprises. Detragiache

et al. (2008) concluded that the institution is not that simple in that foreign banks have an advantage in dealing with only hard information based on credit history and detailed financial statements as it is difficult for them to depend on soft information due to the cultural and institutional space between its headquarter and subsidiaries. In contrast, Detragiache et al. (2008) concluded that domestic banks have an advantage from collecting soft information, thus domestic banks have an information advantage gained through a personal relationship with local businesses.

The role of foreign banks entry can not only be summarised in accessing foreign capital but also reduces the troubles that face bank lending. In many developing economies, banks lend to firms with whom they have close connections or even cronies (Laeven 2001). As a result, companies with closer relations with the banks receive funds even if they are inefficient, while newer firms with better performance might face credit limitations. Conversely, foreign banks tend to lend to firms with promising growth without considering whether these firms have any family connection with them (Giannetti and Ongena 2007).

2.6 Bank privatisation

The political and economic policy of privatization is broadly defined as the deliberate sale by a government of state-owned enterprises (SOEs) or assets to private economic agents, it is one of the most important elements of the continuing global phenomenon of the increasing use of markets to allocate resources (Megginson, and Netter 2001, p321).

While supporters of state ownership rationalize government control over the business and the economy in three ways: firstly, state ownership can balance between the social and economic goals through ensuring that enterprises focus on social goals as well as on pure profit maximisation; secondly, state ownership can respond to the challenges economic efficiency especially during the market failures; thirdly, supporters of state ownership believe that due to information being asymmetric between the firms and the citizens, contracts cannot completely be written and enforced (Megginson 2005). But supporters of privatisation insist that bank privation will lead to a better and more efficient banking system for example Weill (2003) indicated that the motives for transition countries to go towards banking system privatisation were to increase competition, improve corporate governance in their banking system and efficiently allocate financial resources. In addition, Bonin et al. (2005) showed that the ownership of banks is of great significance as state-owned banks are less efficient when compared to privately owned banks and that the efficiency of the private banks is higher when the private bank has foreign ownership. Megginson (2005) points out that most parts of the global banking system shifted from state ownership into private ownership, especially in fast growing economic countries like China and India. He believes that what caused this shift in ownership was the accumulated evidence that state ownership was inefficient and the development of independent financial systems led to improved economic growth. Omran (2007) also suggested that moving from state to private ownership would lead to an

increase in profitability of the privatized firms as private management is more concerned about profit maximisation compared to state-owned management, and a better allocation of resources whether financial, technological or human.

Nellis (1999) believes that privatisation engendered great benefits for most countries and firms around the world; it was an especially successful policy in Central and Eastern European countries, far better than in those enterprises which remained under state control.

Lin et al. (1998) and Frydman et al. (2000) show that one of the reasons that made the communist firms inefficient was soft budget constraints inefficiencies which remained into post-communist transitions,

Una and Navarro (1999) examined the technical process of bank privatisation in Mexico and they found that one of the prominent factors that became a barrier to the full achievement of bank privatization was the lack of prior improved legal and regulatory framework by the government. This is supported by Omran's (2007) later work which showed that an enhanced supervisory and regulatory system is needed long before the privatization progression begins. Cornett (2010) compared the performance of privately owned banks and the state-owned banks between 1994-1997 in five countries, Thailand, Malaysia, Indonesia, Philippines and South Korea, and found that state ownership correlated with considerably poorer performance; even during the recession in 1997, the performance of privately owned banks was still better than of the state-owned banks. Clark et al. (2005) also showed that state ownership harmed enterprises especially in a competitive environment, thus privatisation of state-owned banks might enhance the banks efficiency and financial sector performance. Interestingly Clark and Cull (2002)

suggested that governments tend to privatise firms when their performance is poor and that inefficient state-owned banks especially those which are a fiscal burden for the government, are more likely to be privatised.

During the privatisation period, complaints arose inside transition countries. Some of the complaints were justified, but they needed to be investigated. In some transition countries, many government officials criticized the operation saying it was too costly and not working properly. But those officials were afraid of losing the benefits of their closeness with the state-owned firms, which provided them with a great opportunity for rent-seeking like using their government posts for their own benefits (Nellis 1999).

2.7 Banking and religion

Through its unique characteristics, Islamic finance grew fast in the international banking industry (Iqbal and Mirakhor 2007). One of the characteristics of Islamic banking is that any prearranged fixed amount (interest) on the principal amount is prohibited; the second key factor is that Islamic finance promotes the creation of extra wealth through profit-making (Tabash and Dhankar 2014).

The most important feature of Islamic Banking is that it promotes risk sharing between the provider of funds (investor) on the one hand and both the financial intermediary (the bank) and the user of funds (the entrepreneur) on the other hand (Iqbal et al. 1998, pp. 15–16)

Therefore, Islamic finance encourages lenders and borrowers to share losses and profits in a reasonable style, Husman (2015) suggested that this kind of wealth distribution leads to real productivity. This sharing of profit and losses decreases potential moral hazard problems which face banks (Iqbal et al 2010).

During the thirteenth century, churches prohibited interests in loans, based on the interpretation that people who borrow money are those who are less fortunate and looking for assistance from more fortunate rich people. However, this belief was unsuited to a mercantile society where loans on interests assist both borrowers and lenders and so society in general (Chown 1994).

Islamic finance is not created through Islamic Extremist political movements or Islamic governments but has roots going back to the Qur'an's injunctions; commercial law in Islam is as religious a function as marriage law (Vogel and Hayes 1998). Despite this tradition monetary policy in an Islamic economy is as important a tool as it is in any counterpart capitalist economy, but the tools and mechanism by which the system operates have to be different because of the prohibition on interest (Ahmed et al. 1983). The Islamic financial system which is practiced by Islamic countries, almost disappeared during the colonial rule of the European Empire and almost all Muslim countries accepted the western banking system and its business models. The modern Islamic financial system can be said to have started after the end of the Second World War (Vogel and Hayes 1998).

In the Islamic religion, interest in loans is forbidden from both the Qur'an and the sayings of the prophet Muhammad. There is no doubt that tension exists between the belief that Islamic economies should not only be compliant with the philosophy of Islam but also aid the socio-economic goals that Islam stresses (Ahmed et al. 1983). Interest taking was considered both sinful and illegal during the medieval age (Vogel and Hayes 1998). Muslim people have traditionally been against Riba (interest) throughout history. Islam prohibited interest on all kinds of loans, regardless of what purpose the loan is received for and at whatever interest rates. There were some attempts to separate interest and usury,

and also loans taken for consumption and production. There are also some arguments that Riba (any amount taken above the money loaned) is different from interests charged by banks, but these arguments are not accepted by the majority, and there is consensus that both Riba and interest is the same which is prohibited by Qur'an and Hadith, the sayings of the prophet Mohammad. (Ariff 1988).

However, over the last two centuries, the global financial system has been based on interest and some Muslim countries have used this kind of financial system. Some Muslim scholars tried to introduce an alternative system but their attempts remained theoretical until four decades ago when key changes happened which started at the academic level followed by the institutional level to set up an interest-free financial and banking system in countries like Iran, Pakistan, Malaysia and Sudan (Ahmad 2000). A number of western banks like HSBC, Citibank, Bank of America Bank of Switzerland, Standard Chartered all now offer Islamic financial services to their clients, this is a clear indication that Islamic finance and banking has moved from the ambiguity of four decades ago to a key element in global finance today (Khan 2010).

The prohibition of interest by Islam is not an indication that the capital is costless. What Islam prohibits is the predetermination of any fixed amount on loan. Instead, it instructs the owner of the capital to be given a share in the yields which also cannot be predetermined, and the owner of the capital is not allowed to ask for a fixed amount on its capital (Ariff 1988).

The differences between the Islamic financial system and its counterpart, the capitalist system led to an expansion of the Islamic banking system to the extent that nowadays 200 Islamic banks are operating in over 70 countries, mostly in the Islamic world, as well as

some non- Islamic countries (Khan 2010). It is regarded as a fast-growing sector if compared to the situation 30 years ago where the Islamic banking system was almost unknown (Hassan and Lewis 2007). Islamic products multiplied during the 2000s. There are political, economic, demographic and financial reasons which led Islamic finance and banking to grow (Warde 2010). Among them is the rise in gas and oil prices that enhanced the economic situation of oil-rich countries so that even non-Islamic financial institutions have started to pay more attention to Islamic finance (Warde 2010).

Long criticized for being overly conservative when it came to financial innovation, Islamic institutions felt vindicated when the sub-prime crisis hit much of the conventional banking sector in 2007. In that year alone, the Islamic sector grew by 33 percent (Warde 2010, P. 1).

Despite the expansion of the Islamic banking system over the last 30 years, many people are concerned by its differences from the non-Islamic banking system as Islamic banking is inadequately understood in many western countries and even inside some Muslim countries (Hassan and Lewis 2007). Nevertheless, some Islamic financial products are similar to those of non-Islamic banking (Husman 2015). For example, a study by Chong and Liu (2009), indicated that Islamic deposits rates are not interest-free but are very much linked to the non-Islamic banking system. Khan (2010) also showed that among all the Islamic banks, very few of them are based on profit and loss sharing methods. In addition, religion can influence significantly the decision-making behaviour of Muslim consumers regarding using banks. Most Muslim customers use Islamic banks for the reason that they believe that these banks are compliant with Islamic beliefs (Hassan and Lewis 2007). In this regard, religion can also affect the Muslim customers not to deal with non-Islamic banks because it is not compliant with Islamic beliefs. Since most of the KR people are Muslims, religion can play an important role in the perception of the people

regarding using banks; for example, Singh and bradosti (2015) showed that Islamic religion is one of the barriers that prevent banking operations in the KR from developing. Additionally, Trust and confidence also play a crucial role in consumer decision making within the Islamic banking context, confidence in Islamic banking has two steps, firstly the customer needs to develop confidence in the banking system and secondly, the customer also needs to have confidence that the bank is compliant with the Islamic principles (Amin and Isa 2008; Hoq et al. 2010). This suggests that customers might build trust in Islamic banks but still do not prefer to deal with them because they do not believe that those banks are compliant with Islamic principles. Indeed, there are some examples of Islamic banks that have been found to be not compliant with Islamic principles such as Al Baraka Islamic bank in Pakistan and Faisal Bank in Egypt (Khan 2010). Furthermore, there is debate among researchers regarding the compliance of Islamic banks with Islamic principles and some of them believe that Islamic banks are a copy of non-Islamic banks (Khan 2010) and they are different from each other only in the terminology they use (El Gamal 2001; Kuran 2007).

Fungáčová et al. (2017) stated that trust in banks can be influenced by the religious point of view regarding interest taking as religiosity leads to increased trust in banks. In a similar statement (Guiso et al. (2004) showed that religious people tend to have more trust in banks.

While Islamic banking became popular in recent decades, previous studies showed that awareness of customers regarding Islamic banking is weak and only aware that Islamic banks refuse to take interest on their loans (Okumus 2005; Khan et al. 2007). This weak customer awareness regarding Islamic banks made customers uncertain whether or not

the Islamic banks were fully in compliance with Islamic principles or not (Ashraf et al. 2015)

2.8 Banks and investment

Banks are institutions that play a significant role as an intermediary between people who have surplus money and those who need money. By putting all the depositors' money in a pool, banks can lend this money to borrowers. By doing that they will make a profit through the different prices of interest rates. Banks also can play a significant role through lending to investors and the private sector (Allen and Carletti 2008). Banks play an essential role in supporting economic growth; any contemporary financial sector participates in economic growth and improves the living standards through offering diverse services to the rest of the economy, these services include the facilitation of trade through clearing and settlement system, transferring funds between borrowers and savers (Bollard et al. 2011).

Understanding the many roles that banks play in the financial system is one of the fundamental issues in theoretical economics and finance. The efficiency of the process through which savings are channelled into productive activities is crucial for growth and general welfare. Banks are one part of this process (Allen and Carletti 2008, P.1).

Banks in the KR do not provide mortgages to prospective homeowners, nor do they lend to investors. The majority of the companies working in the KR are not big enough to finance their projects alone, instead, they need to separate the projects into smaller units and sell them to other individuals in order to gain enough finance to construct their projects (Maraan 2013). Additionally, the number of small and medium enterprises who gained a bank loan accounted for 5 per cent only (Nasr 2011)

The banking sector in the KR is still at its beginning and for that reason is not as advanced, as it would be perfect when it comes to improving the investment atmosphere. Currently,

banks are mainly exploited for basic services like distributing cash, transferring money (this does not include all banks) and a place for saving money. Banks in the KR are in actual need to provide long term loans and help in growing the business environment through deploying advanced technologies and applying new policies that encourage additional economic growth (Saaïd 2013). Jawad (2014) agrees with that by indicating that the contribution of the banking and financial sector in Iraqi economic growth is low; it is an indicator that shows the weakness of the banking sector. Furthermore, the role of Iraqi banks in promoting investment in the country is weak, because banks in the country are not linked with the international financial system, this has made foreign investors hesitant to bring a large amount of money into the country (Kami and Bayoumy 2012).

2.9 Information and IT in the banking industry

Today's business atmosphere is distinguished by its dynamicity and experiences due to the technological changes and innovations (Reeves and Deimler 2011). The innovation in information and communication technology (e.g. ATMs, mobile banking, internet banking) has transformed the banking sector from an old-fashioned paper-based type of operations to a more modern, globally-connected technological operation that has great potential to increase efficiency (Ovia 2005). As a result, customer demands have increased. These changes affected the banking sector as they work in a very competitive environment determined by improved customer awareness and requirements (Agbolade 2011).

Information and Communication Technology (ICT) is the automation of processes, controls, and information production using computers, telecommunications, software's and other gadget that ensure smooth and efficient running of activities (Agbolade 2011, P.103)

Communication in the banking sector has three direct influences on loyalty, satisfaction and trust, while the most important effect is on trust (Ball et al. 2004). The term relationship marketing is becoming relationship banking where it is beneficial for the banks to begin long-term relationships with their customers (Ritter 1993). Furthermore, the significance of constant interaction between the seller and the buyer has become one of the basic ingredients of relationship marketing; the purpose is to develop a long-term relationship between seller and buyer that benefits both parties (Mukherjee and Nath 2003). Nowadays, banks can provide their customers with a convenient online service; this comfortable service terminated the traditional manual banking services as it is more reliable, cost-saving and competent (Osabuohien 2009). Before applying information technology in the banking sector, people should have waited and spent much of their time inside banks to be served (Ovia 2005).

Furthermore, financial service industries, among them the banking sector, depend on new technologies to foster their development (Kannabiran and Narayan, 2005). The use of technologies by banks has provided different channels for their customers to interact with banks and transact their accounts (Hughes 2003). Furthermore, many studies concentrate on the benefits of e-banking, for example Baptista and Oliveira (2015) opined banks and other financial institutions can benefit from mobile banking. The service is not limited to a specific time or a place (Gu et al. 2009), hence there is a possibility that it may improve the quality of life for many people (Malaquias and Hwang 2016). Lastly, it reduces the transaction cost for banks (Calisir and Gumussoy 2008).

While the adoption of new technologies (such as mobile banking and internet banking) are popular among many different countries around the world (Agarwal et al. 2009), the practice is rare in Iraqi banks, especially state-owned banks (largest banks in Iraq) who

have not invested in those technologies yet. Research conducted in India suggests that large banks regardless of which sector (private or public), tend to implement electronic banking procedures more easily than small banks (Malhotra and Singh 2007). They indicate that the reason behind that might be the customer loyalty that banks experienced before they go online while another reason could be the financial stability of the large banks. But in Iraq, the two largest banks which are state-owned banks did not show any effort regarding implementing e-banking.

Even though that relationship between a bank and a customer begins from the traditional banking system, not online banking, a quite large number of the studies (Kannabiran and Narayan 2005; Agarwal 2009; Alalwan et al. 2017; Barkhordari et al. 2017) focused on internet banking and online banking. Traditional banking can be defined as a bank that provides the services in one of its brick and mortar branches, not over the internet. Chiou and Shen (2012) believed that the experience of customers with traditional banking determines whether or not they adopt online banking systems such as internet banking and mobile banking, in addition, trust in the traditional banking systems will encourage the customers to use online banking (Montazemi and Saremi 2015). Furthermore, trust in the banking system starts from traditional banking then shifts to online banking (Liao et al. 2016).

While trust is an important factor for physical offline transactions, consumer trust appears to be even more crucial in online transactions (Kim et al. 2008). According to Hoffman et al. (1999), there are substantial barriers to ubiquitous consumer adoption of online commerce. A primary obstacle preventing consumers from purchasing goods and services online is their lack of trust in online retailers. Furthermore, trust is one of four roles that Bailey and Bakos (1997) found to be of increasing importance as markets move from

physical space to Internet space because of limitations of the electronic medium to gauge the trustworthiness of a trading partner.

Additionally, Hanafizadeh et al. (2014) believed that trust, education and resistance to change have a considerable influence on consumer's attitudes regarding adopting e-banking. Furthermore, Kim et al. (2008) showed that e-banking appears to have a higher risk than normal banking and trust is a crucial factor that helps to adopt e-banking.

On the other hand, lack of strong customer protection law is believed to be a key obstacle to electronic commerce adoption (Zugelder et al. 2000). In this regard, strong legislation regarding electronic banking is needed to develop confidence among customers who would like to adopt electronic banking. Furthermore, the quality of the internet available in the country is another factor that affects electronic banking adoption, especially in developing countries (Al-Sabbagh and Molla 2003).

According to Kami and Bayoumy (2012), the current banking law in Iraq needs to be changed in order to help improve the banking system because the current law is the same as the previous era. Additionally, the internet shutdown is popular in the Middle East, especially during demonstrations and government protests, in Iraq, the government shut down the internet for many days in many occasions, each time for a specific reason, for example in 2016 the government shut down the internet so that students could not cheat in exams (Burgess 2016). Another example is in 2018, during the anti-government protests; the government ordered the internet provider to shut down the service for many days leaving the country disconnected from the outside world (Kaletovic 2018).

Furthermore, adopting electronic banking in a country depend momentarily on how much consumers trust the banking system in the first place (Boateng et al. 2016). In this regard, it will be much easier for banks to encourage their customer to use electronic

banking if they already established a strong trust among their customers (Chaouali et al. 2015). This made it difficult for Iraqi banks to go online as they still could not establish trust among the public. Regarding the banking system in Iraq, The state banks which dominate the banking system in Iraq using out of date technologies, while private banks are moderately more advanced than the state banks, but they still need to update their technologies so that provide better services for their customers (Fernandes et al. 2012). Meanwhile, Riyadh et al. (2016) indicate that Iraqi bank staff still do not have an apparent understanding of e-banking and there is not a clear intention to adopt e-banking. One way to encourage the banks in Iraq and KR to use more technologies can be through establishing new private banks using developed technologies so that it can pressure other banks to think about electronic methods.

For example, in India according to Kannabiran and Narayan (2005), the presence of new private banks pressured the state-owned banks to adopt information technology services if they want to stay competitive as the new private bank's strategy is centred around a well-built IT infrastructure.

2.9.1 Culture and Information Technology

According to Twati and Gammack (2006), one of the factors that affect the acceptance of new technologies is culture. Furthermore, Levy (2007) stated that if recent technologies are adopted in a specific culture it does not mean that it will be accepted in another culture. In this regard, it is important for this study to investigate the Iraqi culture.

Hofstede et al. (2010) identified five main cultural dimensions to illustrate the culture of any specific country which are individualism-collectivism, power distance, uncertainty avoidance, masculinity and future orientation. These cultural dimensions can be used to differentiate between the different cultures.

This research focuses on three cultural dimensions as it is not useful to use all of the dimensions, in this regard, (power distance, uncertainty avoidance and future orientation) were purposely chosen in order to investigate the culture of Iraq.

Hofstede et al. (2010, p.61) define power distance as:

The extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally.

Power distance also can be defined as to what extent a specific culture accepts hierarchy or to what extent less powerful individuals in a society accept the power to be distributed unequally (Sale 2004). Culture in this dimension is divided into two types which are high power distance culture and low power distance culture. In low power distance cultures, leaders and top management are less worried about the status and they tend to listen to less powerful members while subordinates also tend to participate in decision making through presenting their suggestions (Chan and Cheung 2008). While in high distance cultures, leader and people with the superior positions are more likely to reject two-way communications, as a result, there is less space for individuals with inferior positions to participate in the decision-making process (Fletcher 2001).

According to Hofstede Insights (2018), the culture in Iraq is high power distance culture which means that if individuals with less power want to change anything in the system, they more likely must get approval from their superiors. In this regard, if bank managers want to insert new technologies into their banks, they need to get approval from their superiors and there is a great chance that their suggestions will not be heard.

Hofstede et al. (2010, p.191) define uncertainty avoidance as “*the extent to which the members of a culture feel threatened by ambiguous or unknown situations*”. Furthermore,

McCoy et al. (2007) stated that people with high uncertainty avoidance are reluctant to accept changes and risks while people with a low uncertainty avoidance culture are more willing to take risks and more open to experience new ideas and changes. In addition, Downey et al. (2005) stated that people in high uncertainty avoidance cultures are less open to new technologies. According to Hofstede Insights (2018), the culture in Iraq is distinguished by high uncertainty avoidance. In this regard, Iraqi people are reluctant to new technologies such as electronic banking services as they are more likely to avoid the risk and are unenthusiastic about new ideas and changes.

Lastly, future orientation means that some cultures are ready to postpone temporary or short-term fulfillment in order to gain future success while some other cultures concentrate on the past and present and believe in short term gratification. According to Hofstede (2001, p. 359):

“Long Term Orientation stands for the fostering of virtues oriented towards future rewards, in particular, perseverance and thrift. Its opposite pole, Short Term Orientation, stands for the fostering of virtues related to the past and the present, in particular, respect for tradition, preservation of face and fulfilling social obligations”

He also stated that long term orientation cultures easily adapt to changed circumstances, while short orientation cultures believe that their traditions are sacrosanct and have fixed norms regardless of the circumstances. According to Hofstede Insights (2018), Iraq scored low in this category which means that Iraq has a short orientation culture. This is an indication that Iraqi culture prefers to focus more on the past and present than on the future and less easily adapt to changes. Applying advanced technologies in the banking sector is a changing environment for the banking system and when it comes to Iraqi and KR people, adapting to this change is not easy.

Looking back at the research aim and objectives, this chapter is in line with the objective that was created in chapter one. For example, this chapter investigated the trust use of banks within the banking system in Iraq and the KR banking system. This is consistent with objective one of this research, as the chapter indicates that consumer use of trust in banks is very low. The chapter is also in harmony with research objective two as this chapter clearly identified the factors that promoted distrust in the banking system. It states that there are a number of factors such as fewer numbers of bank branches, its underdeveloped banking system, and also religion and technology. Meanwhile, the chapter is consistent with research objective three where it indicates that people mainly lost their trust due to some factors such as losing their deposit in previous times as a result of successive wars that happened between Iraq and other countries such as the Iran-Iraq war and the invasion of Kuwait by Iraq and lastly the invasion of Iraq by coalition forces.

2.10 Summary

The activity of banking existed since the growth of civilizations which can be traced back to Babylonia and Hammurabi. The banking service nowadays has a significant role in developing the economies of any country through accepting and keeping the deposits from customers and allowing their customers to withdraw their deposits at any time, also through lending many to those who need money and providing the customers with different types of financial services.

After the financial crisis around the world in 2008, there has been enormous concern about how banks can develop the trust they lost. The concept of trust became an important interest in many disciplines especially in commercial exchanges and business-customer relationships; trust exists when one party has confidence in an exchange partner's reliability and integrity. In the past when communities were not large, people who knew each other conducted trade among themselves and trust or mistrust grew naturally. But nowadays, people conduct their trade and transaction with strangers, trust is an important factor in conducting such transactions.

Banks in Iraq and the KR have lost their role in the economy of the country mainly because they lost their trust among the public and because they are very underdeveloped and the whole economy of the country is going through a transition from a state planned economy to the market economy.

There are many examples of the countries that went through transition, especially the countries in the Former Soviet Union. Most of these countries had a successful transition period when they privatized their state enterprises, which then lead to attracting the FDI into their country, especially foreign banks and those foreign banks helped in improving the banking sector of those countries in a significant manner.

As Iraq is a Muslim country, the role of religion in the banking system is significant, and most Muslim countries and even Non-Muslim countries with minorities of Muslim population has paid big attention to adopting Islamic banks because the non-Islamic banks are based on interest-taking which is totally forbidden in Islam.

Technological development improved the performance of many sectors including the banking sector around the world but the Iraqi and KR banks still did not benefit from this technological development and they still use old paper-based procedures for their day-to-day works.

The next chapter focuses on the research methodology and the methods that this study has adopted also presents the data collection process and analysis.

Chapter Three: The Context and History of the Banking Sector in the Kurdistan Region

3.1 Introduction

This chapter will give more detail on the context and history of the banking sector in the KR. And pays attention to the money creation process and also any firm evidence that there was trust in the banking sector that was lost. It also discusses the theory of financial intermediation to reiterate the role of banks in the economy

3.2 The context and history of the banking sector

As indicated before in chapter two, the KR is a federated region in Iraq with its own government and parliament since 2005. Before that date, it was a part of the Republic of Iraq; as a result, the history of the KR banking system is the same as the Iraqi banking system. Meanwhile, it is still the responsibility of the Iraqi central bank to licence new banks for the whole country including KR.

The Iraqi banking system went through several stages, starting in 1867, the oldest of which was the Ottoman Bank, the British East Bank in 1912, followed by the Shah Bank in 1918. These banks remained the monopoly of commercial banking in Iraq until the year 1935, as this stage was marked by the concentration of foreign bank branches in the main cities, with a focus on granting short-term credit to the commercial sector aiming to achieve the highest profits and encouraging imports from Britain while neglecting the industrial and agricultural sectors and depriving them of banking services. This stage has witnessed the issuance of the Iraqi Currency Law No. (44). Since the year 1931, according to the law, the Currency Committee was established and is based in London (Al-Shamari 2015). Then the second stage began, which was the establishment of the Iraqi national bank in 1935, alongside the establishment of the Agricultural Bank. This became the

Agricultural and Industrial Bank after 1940. In 1941, the Rafidain Bank was established as a single commercial government bank, and then the Central Bank of Iraq was established in 1947. The Real Estate Bank, the Cooperative Bank and the Bank of Mortgages were established in 1948, together with a number of Iraqi private banks such as Credit Bank, United Bank and more than 15 branches of foreign bank branches were opened which were mostly affiliated to Lebanese and Jordanian banks (Irfad 2014). The banking system during that period was quite successful in helping the economy of Iraq, especially the industrial and the agricultural banks where many farms and factories were built through borrowing from those banks (Ghazala 1957).

In 1965, the Iraqi government nationalized all private commercial banks and branches of foreign commercial banks as an imitation of the Egyptian socialist government at that time. Then all the accounts of the nationalized banks were transferred to the Rafidian state-owned bank, which was under the supervision of the ministry of finance. This movement required the Rafidian bank to increase its branches in order to reach its entire customer; however, the bank lacked the required human resource skills to handle such a complex network. Additionally, the process of nationalizing banks encouraged the finest bank managers to leave the banking industry and it also made some foreign investors stop dealing with them. All these factors resulted in the deterioration of the effectiveness and quality of the banking system (CIA 2007). The next phase started after the 1970s, where a number of papers show that the Iraqi banking system during the 1970s and 1980s started to grow and play a substantial role in the Iraqi economy. In a way the Rafidain bank, the biggest state-owned bank in the country was one of the most respected financial organisations in the Middle East (Taylor 2003). The last phase started after the 1990s where the banking system in the country started to deteriorate and lose trust among its

citizens. According to Dabagh (2019), the roots of distrust in the banking system goes back decades, specifically to the 1990s, when the sanctions imposed on Saddam Hussein's regime caused the isolation of Iraq from the world and during the US-led coalition entered the country in 2003, widespread looting and emptying of banks. In another statement, Debakh (2020), states that citizens used to trust the banking system until the Gulf War in 1991, but after that, the Iraqi citizen lost their trust in the banking system in three stages, namely the period that followed the Gulf War in 1991, then the US invasion of the country in 2003, and finally in 2014 when the Islamic State took control of large areas of Iraq. Another reason behind the accustomed distrust in the banking system is the results of years of financial instability and uncompensated deposits which were lost during that time. In the meantime, Sommer-Houdeville (2017) reaffirms the views that the distrust in banks started after 1991 by stating that the chaos that happened after the demolition of Saddam's regime created an environment for looters to rob government buildings especially the banks, some looters even were specialists in blowing up the bank vaults. In another statement, a report by USAID (2008) reaffirms that the distrust in the Iraqi banking system started after the 1990s because this lack of confidence was linked to deposit losses in the 1990s when the Iraqi government limited depositor withdrawals to 400 Dinars per month due to wartime funding requirements, in some cases, the government stopped depositors from withdrawing their deposits during the 1990s.

This instability in the banking system has created a prevailing public culture in the society in a way that people still look at the banks conservatively and avoid dealing with cheques or other banking instruments. In addition to the inability of some banks to fulfil their obligations towards customers, which created and embodied the lack of confidence in the banking sector a big problem for the country, this distrust promoted a strong

inclination towards cash, especially when salary payments for both private and public sector employees are mostly paid in cash rather than through the banking system (Abdallah et al. 2015). Meanwhile, the loss of confidence in Iraqi banks, after many of them went bankrupt and the depositors' money was not returned, forced many fund owners to put their money in neighbouring countries banks such as Iranian and Jordanian banks (Debakh 2020). This issue is demanding a review of the work of Iraqi banks and banking policy to restore citizens' confidence in them.

However, the KR banking system has an extraordinary regulatory system, determined by the location of the banks, directed by two different Central banks which are CBI Sulaimanya and CBI in Erbil which are the two biggest cities in the region, as a result, the banking system in the KR does not have a united supervisory Central Bank, and their coordination with CBI Baghdad is limited. Both CBI in the KR can regulate banking activities in their region and coordinate with CBI Baghdad only in essential monetary exchanges (USAID 2008). The banks in the KR went through another crisis after the central government in Baghdad stopped sending the KR budget in 2014. As a result, trust in the financial institutions again decreased because people were worried to deposit their money in the banks since they were afraid that they could not get their money back when they needed it (Kalin 2015). For instance, According to a Middle east research institution (2016), one of the factors that increased the widespread distrust between the people and the banks is that the KR government seized deposits in banks during the period of the financial crisis in 2015 which had a negative impact on the economy as well. In the meantime, private banks nearly gave up their usual job, such as lending credit, giving out loans and providing credit letters as a result of default risk, instead they turned to find

profit through currency auctions frequently held by the Central bank of Iraq (Al-Shaher 2013).

The conflict between the Iraqi government and ISIS has affected the Central bank and many commercial banks, according to World Bank Group (2018), the losses are amounted to be IQD 11.8 trillion (US\$ 10 billion) as one of the central bank branches and 121 other commercial bank branches have been bankrupted or destroyed. According to a report by World Bank Group (2017), the CBI cannot efficiently oversee the state-owned banks. Besides, its supervisory ability on private banks is not strong, especially in the KR due to the conflicts between the central government and KRG after 2014 over oil revenues, KR drained cash from its state-owned banks and the link between the Central bank and the KR banks has cut, as a result, to an extent, the KR banking system left unregulated and unsupervised. Furthermore, after ISIS controlled some regions, most of the banks in that regions have been looted and destroyed. All of these reasons have made the banking system exposed to more shocks. Another issue that faced the KR banking system is that the level of professionalism in the work of private banks has been questioned by officials of the Central Bank of Iraq with regard to their real capabilities and desire to support the economic growth of the country. Meanwhile, the effectiveness of banking supervision has been questioned, and the auditing standards have been negligent (Alnwab 2017). In the intervening time, another problem faced the banking system in the region is corruption, according to Dabagh (2019), trust in commercial banks, including Islamic ones, is not strong, because of some practices that some banks have worked with as a result of controlling them by some politicians who have become obvious in the banking business. Therefore, the banking business has been interfered with by politicians to a substantial degree. Meanwhile, political disputes related to the work of the Central Bank

and banks as a whole have led to a lack of trust in the banking system and eroded the trust by international banks in the Iraqi banking system (Dabagh 2019).

3.3 Financial intermediary role in the economy

Traditionally, transaction costs and asymmetric information are two main motives for the existence of intermediation.

In the traditional Arrow-Debreu model of resource allocation, firms and households interact through markets and financial intermediaries play no role. When markets are perfect and complete, the allocation of resources is Pareto efficient and there is no scope for intermediaries to improve welfare (Allen and Santomero 1998, P. 1463).

The opinion that financial intermediaries do not have any participation in the transactions between households and firms is different from what is detected in practice. Many studies, whether theoretical or experimental, have shown that there is a strong positive relationship between banking intermediation and economic growth, through the role it plays in directing resources needed to fund projects and create-value added (resource optimization), in both developed or developing countries. For instance, Goldsmith (1999) McKinnon (2011) analysed the role of the financial system in particular Banks in economic growth, the main idea that came out of these studies and models is that the effective performance and development of banks have a positive effect on economic growth because it permits converting large sums of capital from savings into investments, and the opposite is true when banks are underdeveloped or non-existent. Financial intermediaries do not only play a significant role in economic growth but also help the financial system to develop (McKinnon 2010). In the meantime, according to Levine (1997), the financial intermediary facilitates diversifying, trading, pooling of risk and allows a good distribution and utilization of financial resources. Moreover, it also allows

good monitoring and follow-up of managers and institutions by shareholders, helps the mobility and development of domestic savings, and makes the exchange of goods and services easier. In order to be able to determine the nature of financial intermediation, as evidenced by its name, it mediates between two parties: the surplus funds and the deficit funds. Intermediaries are responsible for directing the surplus wealth of the surplus class to the most in need of the deficit class. As a result, they profit through directing those funds. Thus, the intention of the financial intermediary is to manage the money of those with a surplus, and not to own it (Al-Khazraji 2010).

In the meantime, financial intermediaries can be defined as economic units that constitute a link between the funds seeking investment and the investment researcher for money (Scholtens and Wensveen 2003). Since the financial intermediary is an institution that mediates between the ultimate borrowers and the ultimate lenders. By doing that, they allow the lending and borrowing process to be divided into two separate transactions, financial intermediary borrows from the final creditors, and thus the mediation process includes a bilateral swap of financial rights, where the mediator offers himself a right to his creditors in exchange for cash using the money obtained from that to create financial rights to the ultimate borrowers. Thus, they can act as a facilitator of risk transferring and deal with a complex maze of financial markets and instruments (Pyle 1971).

Financial institutions that provide the service of financial intermediation; transforming assets that are less desirable into assets that are preferred by the public (i.e., their own liabilities). Financial intermediaries are in the business of borrowing on a short-term basis and making long-term loans (maturity intermediation), risk reduction through diversification, providing low-cost contracts, and facilitating payments (McDonald 2011, p. 170).

Banks had a great share in the financial intermediation in the last centuries, according to Allen and Santomero (1998), banks and insurance companies had great participation in

converting savings by households into investments in the companies during the nineteenth and the early twentieth century, because banks accept deposits from households and provide loans to the investment organizations. While banks are considered to be one of the main financial intermediary components, they cannot fulfil their role as an efficient player in the financial markets if they are not well developed and competent. Especially when there are some obstacles in front of their activities. For example, McKinnon (2010) concludes that government intervention like interest rate limitation and directing financial resources negatively affects the efficiency and progress of the banking system. In this regard, when looking at the banking system in the KR, their role as an efficient financial intermediary can be seen as very limited and sometimes is not noticeable. One reason behind that is that they are not well developed. For instance, Alnwab (2017) states that other internal issues which the Iraqi banking system has suffered, for example, gaps in data collection on banking transactions in the northern region and the role of political parties in transactions and procedures in a way that political families use bank money for their own projects. Concurrently, KR banks could not participate in building the economic infrastructure due to the poor banking system and the failure of these banks to fulfil their obligations towards the Iraqis. Iraq still lacks legal legislation to guarantee deposits in banks (Debakh 2020). As mentioned above, one of the main functions of financial intermediaries including banks) is channelling resources from surplus funds into deficit funds. But the banks in the KR could not accomplish this task because they could not attract deposits from the surplus funds as most of the people in the region do not put their money in the banks as they do not trust them. Besides the banking system in Iraq does not have the capability to attract depositors and preserve their

money (Debakh 2020). In sum, financial intermediaries in Iraq and KR did not play their role as facilitators of resource allocation; also their role in economic growth is trivial.

3.4 Financial intermediaries and money creation

In order to understand the notion of money creation in an economy, it requires a separation between two types of reserve systems which are fully reserved and fractionally reserved deposits. A fully reserved deposit means that the demand deposits cannot be lent out to others, while fractional reserve deposits mean that banks can lend a fraction of the deposits they collected, by doing that, they create money through interests they take on those loans. Banks created most of the money that exists in today's economy, as bank account money, the money created by banks, comprises of 95% of the money that exists in today's economy and only 5% of the money exists in physical cash (Ravn 2015).

Commercial banks create money, in the form of bank deposits, by making new loans. When a bank makes a loan, for example to someone taking out a mortgage to buy a house, it does not typically do so by giving them thousands of pounds worth of banknotes. Instead, it credits their bank account with a bank deposit of the size of the mortgage. At that moment, new money is created (McLeay et al. 2014, p.11)

When the reserve requirements are low, banks can lend more loans, but when the reserve requirement is high, banks should keep most of their collected deposits in their vault or in accounts with Central Banks. Also, when money in circulation outside the banks (like in Iraq) is greater than money that exists in the banks, the ability of banks to create money will decrease (Mohammed and Sahar 2016).

Banks need to reserve a portion of their deposits so that they can meet the depositors withdrawal demand at any time because if the banks delay such requests, it will damage the reputation of banks and the confidence of depositors will blow up. As a result, this encourages the depositors to withdraw their funds and eventually lead to bankruptcy (Al-

Sirafi 2007). In Iraq and KR, this bank illiquidity happened on many occasions as it was discussed in this chapter, and it is one of the reasons that people lost confidence in the banking system. The reserve ratio which is determined by the Central Bank of Iraq is 25%, whether deposits are in dinars or dollars. 20% of deposits are kept with the central bank in the reserve account, while the remaining 5% of the reserve is kept in the commercial bank as a cash asset, while government deposits are subject to a rate of 75%. This is because they are designated deposits within the yearly budget and are subject to withdrawal (Al-Kazraji 2010).

Iraq has a different banking system compared to the banking system in developed countries. Banks in most countries keep a small portion of their deposits in the form of reserve and will lend most of their deposits to qualified borrowers. They do that because depositors are expected to withdraw a small share of their deposited money only when they need it; but the banks in Iraq cannot function in this way because depositors are expected to withdraw all their money in large unpredictable amounts (DeWeaver 2016). The monetary policy tools used by the Central Bank of Iraq contribute to some extent in controlling the entire money supply and its main components partly, and that the creation of money is at the lowest point, it did not exceed (one) between 2003-2014, which indicates that the offered cash by banks and the basic cash is very similar, in addition to the fact that money supply is strongly affected by the government policies (Mohammed and Sahar 2016).

One factor that encourages citizens to deposit their money in banks is financial inclusion. When financial inclusion is poor, it promotes people to use cash instead of banks; as a result, the money created by banks decreases. Sarma (2012, p. 5) defined financial inclusion “*as the ease of access, availability and usage of the formal financial system by*

all members of the economy". The low level of banking inclusion in Iraq refers to many factors such as the low level of banking spread and density in that there is only one bank branch for about (30000) citizens. This ratio is very low when compared to neighbouring countries such as Kuwait, Saudi Arabia and Lebanon. In the meantime, the availability of ATMs is also very low in that there is one ATM for 25000 citizens and those ATMs are mostly attached inside the banks where the customers need to visit the bank even if they want to use ATMs only (Khalaf and Ali 2017).

Citizens who open bank accounts will take advantage of the financial services provided by the banking system, which will positively reflect on their private lives. Through activating savings and developing their businesses; noting that the high rate of financial inclusion will lead to reducing the cash at homes and reduces money hoarding which is becoming an issue in Iraq including the KR (IPBL 2018). The manifestations of hoarding money in Iraq takes on different dimensions, namely: physical hoarding, such as gold, jewellery and precious treasures, and the hoarding in the Iraqi dinar, which accounts for 77% of the currency in circulation outside the banking system. There is also hoarding in foreign currencies (Salih 2018). Money hoarding weakens the strength of the national economy by turning its savings; which supports the income and production courses, into faltering leaks in the income cycle, or weakening production opportunities and sustaining economic activity. According to a report by the ministry of finance in 2018. The successive political crises in the country, the nationalisation of banks in the past decades, and the seizure of depositors' money have caused Iraqis to lose confidence in banks, which led to storing money in home; therefore the funds deposited in banks do not exceed 15% of the size of the Iraqi monetary block. In a statement by the Central bank of Iraq in 2020, the CBI urges the people of Iraq to deposit their money into banks because the CBI

noticed that most of the Iraqi money is stored in boxes at homes. The CBI justified proposal based on the fact that paper money will increase the risk of spreading Coronavirus and cases of theft and money fraud.

A competent financial sector stimulates the private sector development because a larger number of people will benefit from the investment opportunities. Nevertheless, the KR banking system is poorly developed and caused low access to finance particularly for small and medium-sized companies because banks do not participate in the primary purpose of providing loans to the economy, the real sector or long term financing. This is clarified partially due to the climate of distrust prevailing in the banking sector caused by recurrent financial turmoil in the country (World Bank 2016). This climate of turmoil created an environment where the collaboration between banks and the private sector is very low. For instance, the 2011 Enterprise Survey for Iraq confirms that few firms rely on the banking sector. Of firms in Erbil and Sulaymaniyah, 3.2 per cent and 3.1 per cent, respectively, report that they had a bank loan or credit, while this figure is bigger in countries in the Middle East and North Africa region which is 20 per cent. Meanwhile, few companies stated that they used banks to finance working capital and no companies stated that they benefited from banks to finance their investment. Although, the CBI does not force private banks to reserve all their deposits in cash, many of them, especially banks listed on the Iraq Stock Exchange, appear to hold around 97% of their cash deposits. For many countries it is desirable for banks to have a fractional reserve system as it fuels investment and economic growth. But in Iraq, this fractional reserve is not practiced by banks because the country benefited from its oil to promote the investment. As a result, banks in Iraq and KR did not participate in the money creation process in a significant

way because they cannot attract or collect the money circulating outside banks which accounts for more than 77 per cent.

3.5 Conclusion

This chapter focuses on the evidence which confirms that there was trust in the banking system which was subsequently lost after 1991. It also introduced the theory of financial intermediaries and showed that the banks in the KR do not fulfil the intermediary function as a resource allocator. Lastly, it highlighted the money creation in the Iraqi and the KR economy and showed that the banks have not effectively participated in money creation.

Chapter Four: Research Methodology

4.1 Introduction

This chapter discusses the research methodology that was implemented to carry out this research. It provides an explanation of the research approach that was used to answer the research questions outlined in chapter one. The chapter starts by discussing the research design that has been offered by some researchers and investigates the research philosophy that has been chosen for the current study. This is followed by an explanation of the inductive and deductive research approaches. The next section discusses the methodological choices and the research strategy that was chosen, followed by an explanation of the research time horizon and the research techniques and procedures that were used. The research validity and reliability, ethical consideration, triangulation and the generalisability of this research is also reviewed in this chapter.

4.2 Research design

Research is defined as a detailed study of a specific problem or phenomenon examined by a researcher with the purpose of resolving it (Brewerton and Millward, 2001; Creswell, 2007; Bryman and Bell, 2007). Myers (2009, p.6) defines research as “An original investigation undertaken in order to contribute to the knowledge and understanding in a particular field”. Myers also indicates that research is normally about investigation issues of an empirical and conceptual nature, performed by people who possess a special understanding about the subject, including theories and methods in a particular area.

There are two main types of research; theoretical and empirical. Theoretical research mainly intends to enhance knowledge in various fields, while empirical research aims to

solve a specific problem. Sekaran (2003) states that empirical research is focused more on research which is geared towards resolving a particular problem through the application of its findings.

In any research, one or numerous types of methods are applied by researchers to determine the answer to their research question(s). This procedure is called methodology. Miller and Brewer (2003, p192) defined methodology “as a set of rules and procedures to guide a researcher and against which his/her claim can be evaluated. It is therefore fundamental to the construction of all forms of knowledge.

While philosophical notions are usually hidden in the research (Slife and Williams 1995), they still impact the research practice and should be acknowledged as it has bearing on why any particular method is chosen by the researcher, whether it is quantitative, qualitative or mixed (Creswell 2013). Formerly, Lee (2004) stated that any study of philosophy that examines the social sciences usually involves an understanding of terms like ontology, epistemology, methodology and methods.

In social sciences, many researchers have demonstrated different research approaches (theoretical and practical) in varying ways. This diversity in the overviews of researchers is apparent in the viewpoints of Crotty (1998) and Saunders et al. (2007). Both researchers stated that social science research can be performed in both theoretical and practical ways, but the terminology they applied was different. To choose the most suitable approach for this study, the two above-mentioned research designs were investigated.

Crotty (1998) identified four different research levels for conducting research. Theoretical approaches are reflected at the top two levels; these include epistemology and the theoretical perspective while the bottom two levels represent the practical approaches

of methodology and methods. He believed the four terms (epistemology, theoretical perspective, methodology and methods) could be confusing as they are often:

“thrown together in a grab-bag style as if they were all comparable terms” (Crotty 1998, P.3).

However, Crotty (1998) also indicated that epistemology and ontology should not be separated. For that purpose, he removed the fifth level which is ontology, *“to talk about the construction of meaning (epistemology) is to talk of the construction of a meaningful reality (ontology)”* (Crotty 1998, P.10). Figure 4.1 shows Crotty’s four levels of social research design.

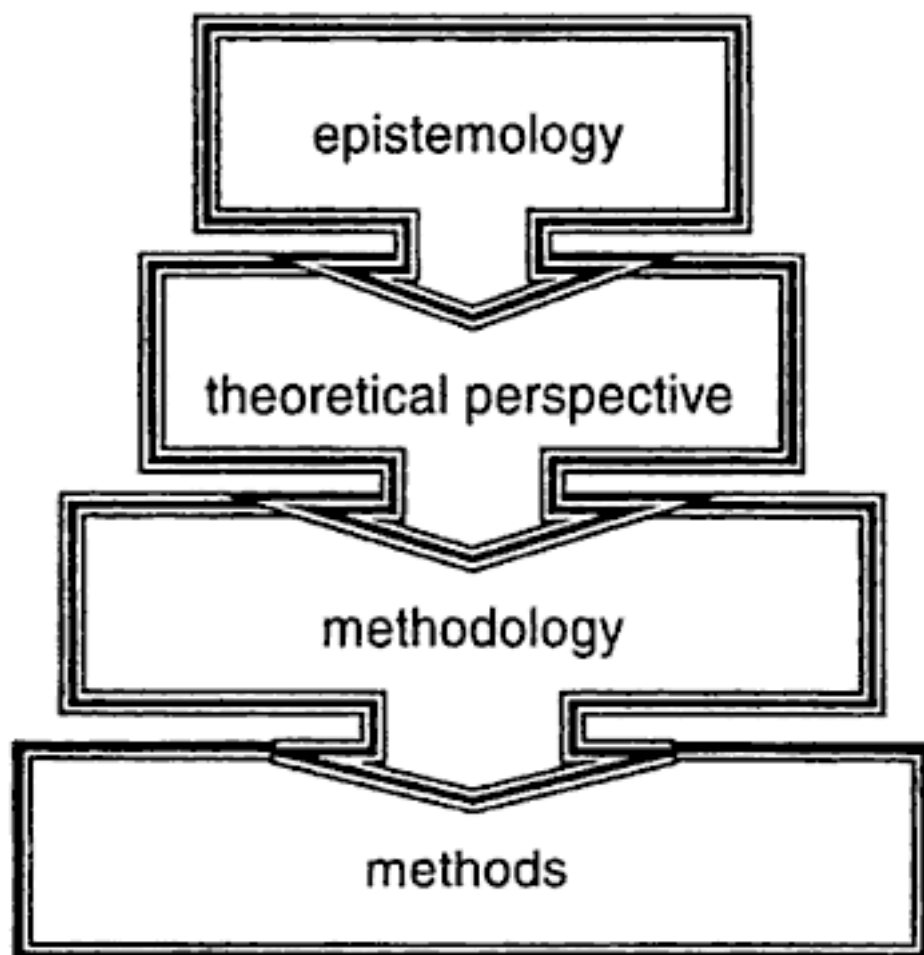


Figure 4.1: Crotty social research design, source Crotty (1998, P.4)

The next model for social research design proposed by Saunders et al. (2012) is called the “research onion”. It contains a number of stages that should be considered when conducting a research strategy. An external view of the research onion shows each layer as providing one step of the research process (Saunders et al. 2012). Bryman (2012) explained that the research onion offers comprehensive progress to design a research methodology; its effectiveness lies in its adaptability to different kinds of research methodologies and also in its ability to be employed in a range of contexts.

The research onion consists of six layers or levels (Figure 4.2). The first level represents the philosophical perspective (e.g. positivism, realism, pragmatism); the second level, research approaches (e.g. deduction, induction); the third level, methodological choice (e.g. mono method quantitative, mono method qualitative); the fourth level is the research strategy (e.g. survey, case study); the fifth level, time horizon (e.g. cross-sectional and longitudinal) followed by the last level which represents the techniques and procedures like data collection and data analysis. In this model, the research philosophies and approaches represent the theoretical approach while the practical approach includes strategies and another three levels.

Both research design models have a substantial overlap when it comes to considering the practical and theoretical approaches. This study focuses on the research onion model by (Saunders et al. 2012) due to the close fit to this research, giving rise to the investigation of the research paradigm of the research onion

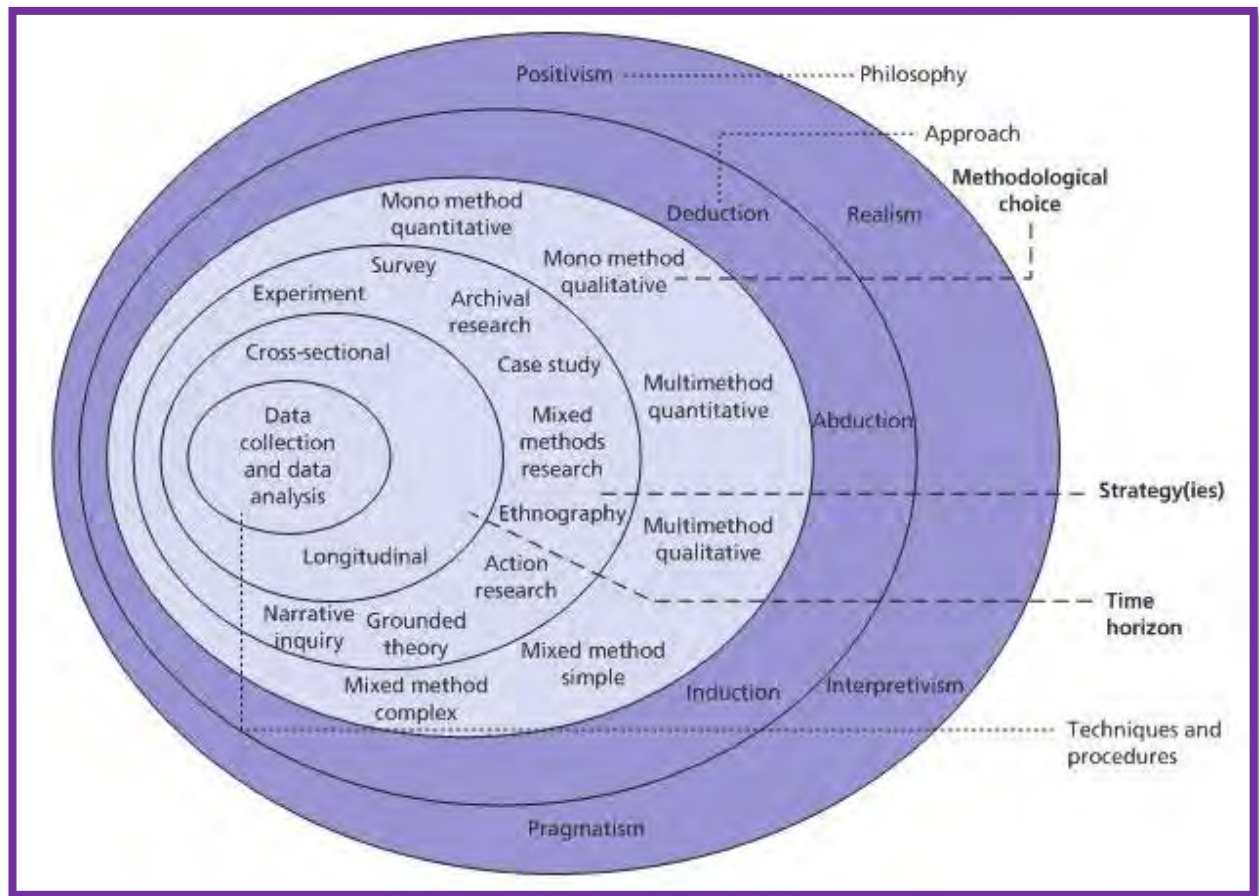


Figure 4.2 research onion, source: Saunders et al. (2012, p.160).

4.3 The research philosophy (outer layer of the onion)

As mentioned earlier in the section on the Research Onion, the first layer includes research philosophy. Research philosophy investigates how knowledge was developed and what the nature of that knowledge is (Saunders et al. 2012). According to Bryman (2008), research philosophy is concerned with beliefs that investigate the nature of reality. The term paradigm refers to the nature of knowledge and the process of the development of scientific research based on how people think about the world, particularly about how research should be carried out (Collis and Hussey, 2003).

According to Guba and Lincoln (1994), there are two different models of classic social science research which are the constructivist (subjectivist qualitative) model and positivism and post-positivism (objective quantitative). There is a third relativist

paradigm between them which is called pragmatism that merges the objectivist quantitative and subjectivist qualitative models (Guba 1990). A number of authors (e.g. Tashakkori and Teddlie 1998; Johnson and Onwueegbuzie 2004; Creswell and Clark 2007) indicated that the paradigm which merges qualitative research with quantitative research is pragmatism. Table 4.1 illustrates the differences between the most common paradigms and pragmatism as a selected paradigm for the current study is highlighted.

Paradigm	Positivism	Post-positivism	Pragmatism	Constructivism
Methods	Quantitative	Primarily Quantitative	Quantitative + Qualitative	Qualitative
Logic	Deductive	Primarily deductive	Deductive + Inductive	Inductive
Epistemology	Objective point of view. Knower and Known are dualism	Modified dualism. Findings probably objectively “true”	Both objective and subjective points of view	Subjective point of view. Knower and Known are inseparable
Axiology	Inquiry is value-free	Inquiry involves values, but they may be controlled	Values play a large role in interpreting results	Inquiry is value-bound
Ontology	Naive realism	Critical or transcendental realism	Accept external reality. Choose explanations that best produce desired outcomes	Relativism
Causal linkages	Real causes temporally precedent or simultaneous with effects	There are some lawful, reasonable relationships among social phenomena. These may be known imperfectly. Causes are identifiable in probabilistic sense that changes over time	There may be causal relationships, but we will never be able to pin them down	All entities simultaneously shaping each other. It’s impossible to distinguish causes from effects

Table 4.1: Comparison between the most common research philosophies used in social and behavioural sciences (Tashakkori and Teddlie, 1998:23)

4.3.1 Pragmatism paradigm

A paradigm can be regarded as an “accepted model or pattern” (Kuhn, 1962, p. 23), like an organising structure, a deep philosophical position relating to the nature of social phenomena and social structures. This use of paradigm connects it directly to research, as an epistemological position (Feilzer 2010). In this sense, a paradigm directs research efforts; it serves to reassert itself to the exclusion of other paradigms and to articulate the theories it already established (Kuhn 1962, p. 24). The pragmatism philosophy as a research philosophy emerged three decades ago (Robson, 2005). Pragmatism is a research philosophy that does not depend on the use of one particular research philosophy, such as constructivism or Positivism and Post-positivism. It can also be used as a philosophical backup for both mixed method and mixed model users (Tashakkori and Teddlie 1998). Creswell (2014) stated that for mixed methods (quantitative and qualitative) the researcher can adopt pragmatism as a research philosophy. Tashakkori and Teddlie (1998) contended that pragmatism is concerned with reality and portrays the external world as being independent of our minds. Further, it contends that there is no ‘truth’, giving rise to the need to investigate any phenomenon more than just once.

Pragmatism removes the division between the quantitative and qualitative approaches and stops the war among the paradigms by proposing that the most significant question is whether the researchers have been able to find out what they want to know (Handson 2008). Pragmatists do not pay too much attention to which methods they adopt as long as the chosen research answers the questions they posed. Obviously, this is not a justification for indecisive research and pragmatism should never be confused with ploy (Denscombe 2008).

Pragmatism is a philosophy that is notably unique in its stress on practice, even in theoretical matters. Peirce (1997) described the word as a tool; one can understand its meaning when they know how to use it. For instance, a person might not know how to describe 'softness' but when they have found out in practice that something soft is different from something hard, then they know the meaning of softness. Peirce also states that practical knowledge is more important than any knowledge that we can explain in theoretical terms. According to Tashakkori and Teddlie, (1998, p. 30):

Pragmatism gives us a paradigm that philosophically embraces the use of mixed method and mixed model designs, eschews the use of metaphysical concepts (Truth, Reality) that have caused much endless (and often useless) discussion and debate, and it presents a very practical and applied research philosophy.

On the other hand, Punch (2013) stated that pragmatism is one of the best known and most used philosophies and is considered to be particularly compatible with mixed methods research. As (Mertens 2007, P.210) indicates:

With the transformative paradigm a researcher can choose quantitative, qualitative or mixed methods, but there should be an interactive link between the researcher and the participants in the definition of the problem, methods should be adjusted to accommodate cultural complexity, power issues should be explicitly addressed, and issues of discrimination and oppression should be recognized.

Pragmatism, when regarded as an alternative paradigm, sidesteps the contentious issues of truth and reality, and accepts, philosophically, that there are singular and multiple realities that are open to empirical inquiry and orient itself toward solving practical problems in the "real world" (Creswell & Clark, 2007, pp. 20-28).

In that way, pragmatism allows the researcher to be free of mental and practical constraints imposed by the "forced choice dichotomy between post positivism and constructivism" (Creswell & Clark 2007, p. 27). In addition, researchers do not have to

“be the prisoner of a particular research method or technique” (Robson, 1993, p. 291). Pragmatism has been selected as a research philosophy of choice to best attain the goal of the current study.

4.4 Research approach (2nd Layer of the Research onion)

The significance of a research approach in a study has been explained by Easterby-Smith et al. (2002) when they identified three reasons for the significance of a research approach selected for a specific study. Firstly, they believe that it allows a researcher to make more enlightened decisions regarding the design of the study which supports the data collection techniques and adopted data analysis procedures. Saunders et al. (2007, p. 119) explained this in more detail by stating that:

‘It is the overall configuration of a piece of research involving questions about what kind of evidence is gathered and from where, and how such evidence is interpreted in order to provide good answers to the initial research questions posed at the beginning of a research.’

The second reason is that the research approach allows the researcher to determine which research strategies are suitable and which are not. Thirdly, familiarity with diverse research approaches permits a researcher to adjust the research design to cater for any potential research limitations such as data access restraints.

Thus, a research approach in any study should employ a deductive, inductive or abductive approach. A deductive approach is one in which the research regarding which theory or hypotheses is developed and tested by data collection (Johnson and Christensen, 2004). On the other hand, an inductive approach is an approach in which the researcher builds up a theory through the results of data analysis (Saunders et al. 2007).

The point here is that it is not easy to separate between the inductive and deductive approaches, as they complete each other. When researchers collect data, they have some

explanatory theory in mind; therefore, there are some components of the deductive approach evident in any research. Yet, developing hypotheses is not possible without having some information regarding the subject (Svennevig 2001). As a result, most studies to some extent are deductive and partially inductive. In this regard, Saunders et al. (2012) developed the third approach known as abduction which combines both inductive and deductive approaches. This study does not focus on one approach (deductive or inductive), instead of adopting the abductive approach.

4.5 Methodological choice (3rd Layer)

As mentioned in previous sections, the paradigm used for this study is pragmatism, which is connected with the abductive approach that leads to the use of qualitative and quantitative methods of data collection, which is mixed methods research. The quantitative method is a method in which the researcher uses statistical measurements to test proposed hypotheses. For this type of research, the researcher analyses numerical data to investigate the relationship between variables of studied phenomena (Creswell 2003). Qualitative methods, on the other hand, are methods that do not depend on statistical procedures. This includes research regarding behaviour, emotions or feelings (Straus and Corbin 1998). In addition, Maanen et al. (1982, p32), clarified the difference between the quantitative and qualitative approaches by stating that:

“Quality is the essential character or nature of something; quantity is the amount. Quality is the what, quantity is the how much. Qualitative refers to the meaning, definition or analogy or model or metaphor, characterizing something, while quantitative assumes the meaning and refers to a measure of it.”

Moreover, Corbetta (2003) noted that qualitative methods supply a richer type of in-depth data through focusing on experience and meaning while quantitative data provides a broader understanding of the phenomena through focusing on frequencies and numbers.

Despite the differences between the two methods, Cooper and Schindler (2005) mentioned that both qualitative and quantitative methods are legitimate and researchers can use either of them. Clarke and Dawson (2000) proposed that researchers can mix both methods according to the nature of their study as it is not always easy to decide which of the methods are best suited for any study. In addition, mixing qualitative and quantitative methods in one research study can lead to a reduction of the limitations and weaknesses of the research (Miller and Brewer 2003). As a result, the current study uses mixed methods research by combining qualitative and quantitative data using semi-structured interviews followed by a closed-ended questionnaire. In this regard, the next section will investigate mixed methods research.

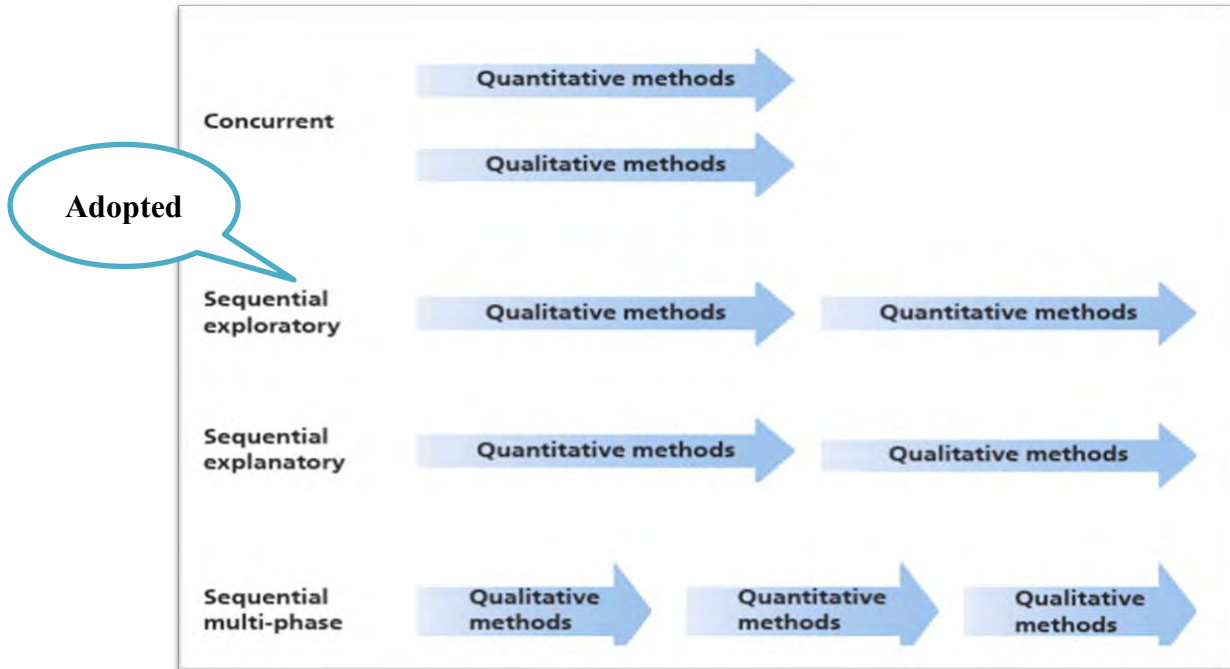
4.5.1 Mixed methods research

According to Saunders et al. (2019), more often the nature of research questions and research context compel researchers to choose mixed methods approaches. In this study, the researcher follows the pragmatism approach, as was indicated above, because it allows using multi-methods and techniques. This is not only to add credibility and reliability of data but also to the nature of the research context, which often compels researchers to adopt more than a method. As it was indicated throughout this research, the context of the Kurdistan region is known for its complexity and uncertainty due to various external and internal factors (see Global Security, 2012; Anderson & Stansfield, 2004). Consequently, organisations and sectors, public or private, within such a context are expected to be vastly affected. This especially appears in the education context which suffers from the absence of scientific research traditions. In this regard, Koivunen (2013) confirms that, due to the absence of research tradition, policy and culture, doing research is a difficult and frustrating task in the Kurdistan context. Koivunen (2013) adds that not

only people are lacking in understanding the idea of scientific research but also the education establishments including universities' staff are far behind. This has created many problems for researchers to straightforwardly find the best suitable method to follow. Nevertheless, having employed and worked in this context especially in the bank sector for several years enabled the researchers to overcome most of the problems in relation to data collection and find the most appropriate tailored to nature of his research. On the basis of the above facts, it is believed that adopting the pragmatism approach would lead to gaining the desired outcome. Thus, mixed methods research design was used.

In mixed methods research both quantitative and qualitative methods are joined in a variety of ways that range from simple, concurrent to more complex and sequential forms. Several researchers (e.g. Saunders et al. 2019; Creswell, 2014) point out that the combination of qualitative and quantitative research has led to recognising the number of variations of mixed methods. On the basis of what Saunders et al. (2019) indicated in their book, the formulation of concurrent research methods refers to the separate use of qualitative and quantitative data within a single phase for both data collection and data analysis. Meanwhile, in the design of sequential mixed methods research, more than one phase of data collection and analysis are involved. This design has two formulations which include a sequential exploratory mixed method and sequential explanatory mixed method. In the latter, quantitative data is collected first, then qualitative data is focused on; whereas, in the former qualitative data is followed by quantitative data (see figure 4.3)

Figure 3: Mixed method designs.



Source: Saunders et al. (2019, p.182)

The current study merged qualitative and quantitative approaches in a sequential mixed method design. In this way, qualitative data was collected first and analysed, followed by quantitative data collection. However, the main purpose of the first data collection (qualitative) set was to service and pave a way to find the best suitable way of constructing and launching the second phase of data collection (quantitative). This means a semi-structured interview was first launched to obtain further in-depth information on the phenomena being studied. This includes investigating the available bank documents and conducting a semi-structured interview with bank managers and government officials at the ministry of finance. This is what Easterby-Smith et al. (2012, p.61) called “handmade design” in which one phase service another although it represents “compensatory design”,

and in which quantitative and qualitative is used to make up of the weakness for the other (For further details see Easterby-Smith et al. (2012)).

In relation to the weakness of mixed-method design, Johnson & Onwuegbuzie (2004) point out that it is not easy for a single researcher to conduct research using both quantitative and qualitative methods, especially concurrent mixed approaches. This is because if both methods are used concurrently, it would require a larger investment. In addition, mixed methods require more time than using a single method. In this research, these weaknesses were overcome as the researcher had enough time to conduct both qualitative and quantitative research and he was granted a scholarship by the Kurdistan government. Above all, it seems that the strengths of mixed methods research override its weakness as Bryman (2008) stresses that using mixed methods would increase validity and elevate the ability to generalise the conclusions compared to a single research method.

4.6 Research strategy (4th Layer)

Research strategy focuses on how the researcher plans to conduct the research process (Saunders et al. 2007). According to the research onion proposed by Saunders et al. (2012) as shown in figure (4.2), a research strategy consists of a number of different approaches, including experiment, survey, archival research, case study, mixed-method research, ethnography, action research, and grounded theory or narrative inquiry. In order to achieve the aim and objective of the current study, three of the above research strategies (case study, survey and mixed methods research) were adopted.

4.6.1 Case study

There are differing opinions about the case study in research methodology. While Saunders et al. (2012) labelled it as a research strategy, Crotty (1998) labels the case study

a research method, while Yin (2003) defines it as a research methodology. As the current study adopted Saunders et al.'s (2012) research approach, the case study was labelled as a research strategy for the current study. Robson (2002, p.178) defines a case study as:

“A strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real-life context using multiple sources of evidence...”

The focus of this study is to investigate how to develop trust among the people from Iraqi Kurdistan (KR) towards their banking system by adopting a case study design. The main reason for using the case study design for this study is because it is most suitable when it comes to satisfying the research objectives. In addition, the case presented in this study is close to Robson's definition, as it inspects a contemporary phenomenon in a real-life framework. The case study depends on multiple methods of data collection and the current study used a mixed methods approach. Also, since multiple sources of data collection can be used to triangulate the data, both validity and reliability are improved. Benbasat et al. (1987, p.370) suggested that case studies are important for three main reasons:

- 1) It is necessary to study the phenomenon in its natural setting.
- 2) The researcher can ask "how" and "why" questions, so as to understand the nature and complexity of the processes taking place.
- 3) The research is being conducted in an area where few if any, previous studies have been undertaken.

There are two designs for case studies; they can be single or multiple cases. Single case research is applied to unique and critical cases alongside cases that few, if any researchers have considered before, while a multiple cases study is applied when a researcher wants

to compare the results of two or more cases (Yin 2013). However, building on his previous work, Yin (2014), later divided the single case study into two types, single case (holistic) designs and single case (embedded) designs. He also divided multiple cases into multiple (holistic) designs and multiple (embedded) designs. Holistic designs refer to a single unit of analysis, while embedded design refers to multiple units of design. The focus of this study is on single case (embedded) design, as the case is the Iraqi Kurdistan banking system using 12 banks as units of study.

4.6.2 Survey

Survey is a method used to gather information through one source or a combination of methods such as a questionnaire, structured or semi-structured interviews (Thomas 2004). While the word survey is mostly associated with questionnaires, interviews are also regarded as a survey (Currie 2005). The techniques that are applied are different for each method, but Arnold et al. (1991) considered the interview as a “talking questionnaire”. Currie (2005, p. 94) defined a survey in a more specific way by saying:

“A survey is a technique in which a sample of prospective respondents is selected from a population. The sample is then studied with a view to drawing inferences from their responses to the statements in a questionnaire, or the questions in a series of interviews.”

In general, surveys generate quantitative information in relation to some characteristics of the study population (e.g. the correlation between variables). They also help to gather information from the population being studied through structured questions, and lastly by selecting a representative sample from the population being investigated the results of the study can be generalised back to that population (Pinsonneault & Kraemer, 1993). In this study, both types of surveys (questionnaire and semi-structured interviews were used as discussed in (3.8.1 and 3.8.2).

4.7 Research time horizon (5th Layer)

A cross-sectional time horizon is a type of research where the process of data collection is conducted at a certain point in time. Longitudinal research is the type of research in which a researcher uses research strategies like case studies or surveys (Flick 2011). Longitudinal research is the type of research when the research question requires data collection for an extended duration in order to examine the changes that happen over time. The research strategies associated with longitudinal studies are usually ground theory, experiment and action research (Saunders et al. 2014). As this study does not examine the changes that happen over a period of time and the process of data collection was conducted at a certain point of time, the time horizon selected for the current study is cross-sectional.

4.8 Research techniques and procedures (Heart of the Research Onion)

4.8.1 Interviews

The interview is considered to be the most used tool for conducting qualitative research in social science, and it was one of the tools alongside questionnaires used in this research study for collecting data. Interviews are generally implemented to investigate human thoughts and behaviours regarding a specific matter (Schutt 2006). According to May (2001, p. 120), interviews yield rich insights into people's biographies, experiences, opinions, values, aspirations, attitudes and feelings. Considering the nature of the research questions, interviews were regarded as a predominant method to use to fulfil the aims and objectives of this study. This was particularly important since the experience and opinions regarding the current banking system in the KR was crucial to the study.

Interviews like any other data gathering instruments have their advantages and disadvantages. Some advantages of interviews can be that the interviewer has a degree of control over what questions should be asked, and it also provides flexibility as questions can be altered to suit different conditions. Interviews also offer both the interviewer and the interviewee power over the location, time and date of the interview, and interviews also receive a higher response rate (Saunders et al. 2007; Bryman 2008).

However, the interview method is also known to have some disadvantages. It increases the possibility for researcher bias and it is costly and time-consuming. In addition, as the interviewees are known at least to the researcher, the anonymity is lower compared to other methods (Denscombe 2008; Saunders et al, 2007; Bryman and Bell 2011).

To avoid the participant's bias, which means that participants might give false responses because they were forced to do that, in this research, attempts were made to ensure the anonymity of the interviewees. Thus, participants were, in advance, sent the consent and information sheet and they were told they had the opportunity to withdraw at any time. This is not only during the process of data collection but also when the data was analysed. So, the researcher confirmed that those who joined were genuinely willing to participate and offered data freely. Meanwhile questions were open-ended in order to prevent the participant from purely agreeing or disagreeing, this means respondents had a wide area to express their opinions with no confrontation. The researcher also tried to take a sufficient sample (interviewees) which gave confidence that the sample represented the target population (see Easterby-Smith et al. 2008).

Secondly, to avoid the researchers' bias which means any factors that encourage bias in the researchers' recording of responses, the researcher kept the questions simple and avoided choosing words that could introduce bias. Question for the interview were designed based on the literature review and other similar studies, then all questions were tested and checked by supervisors and got approval from the Cardiff Metropolitan University Ethical Committee then piloted with experts; based on their recommendations, amendments were made.

Choosing a specific type of interview method depends on the data that will be required to answer the research questions as well as the accessibility of resources (May 2001; Brewerton and Millward 2001). Interviews can be categorised into three types, to be precise: structured interviews, unstructured interviews and semi-structured interviews (Bernard 2000).

Structured interviews are the types of interviews in which the interviewer has a prearranged group of questions and the interviewees will be asked a specific number of questions, with a limited number of options to answer the questions. In addition, all interviewees are asked the same number and quality of questions which makes it easier for the researcher to analyse the data (Denscombe 2008). Structured interviews are usually used in research studies in which the researcher intends to collect a large amount of data (Bernard 2000). Saunders et al. (2007) mention that structured interviews are similar to questionnaire ones, but are conducted face to face.

Unstructured interviews, on the other hand, are defined as the type of interview in which the interviewers have a clear plan regarding the features that they would like to explore, without needing a list of prearranged questions. Also, the answers to the questions are characterized by being less controlling as the interviewees are given the chance to talk openly about the events, beliefs and behaviours regarding the instigated topic (Saunders et al. 2012). Researchers tend to use unstructured interviews when they have lots of time to study a particular event or when they want to investigate using long-term experimentation (Bernard 2000).

Semi-structured interviews are the type of interviews in which the interviewer has a list of questions beforehand regarding the specific topic to be investigated (Bryman and Bell 2007). While the interviewer has an interview agenda, the interviewer is able to change

the order of the questions and the types of questions are more general in their structure than those in structured interviews. Also, interviewees have the opportunity to express their own thoughts and ideas and the interviewer has some freedom to ask additional questions in relation to what emerges as significant themes in the interviewee's replies (Bernard 2000; Denscombe 2008). Regardless of the freedom that interviewers are allowed, this method still offers a format to compare and analyse the answers that are provided by the interviewees (May 2001).

Each of the above-mentioned types of interviews has strengths and weaknesses, but semi-structured interviews provide the researcher with some flexibility and control. Furthermore, semi-structured interviews give the researcher the opportunity to rationalise the interviewee's answers to gain more in-depth and precise information. In spite of this, sometimes it is not easy for the interviewer to fully control the interview, as less important issues may come to the surface and waste too much interview time, potentially affecting the reliability of the research (Brewerton and Millward 2001). Additionally, unstructured and semi-structured interviews are used by interviewers for discovery purposes, as they seek out the thoughts and beliefs of the interviewees (Denscombe 2003).

As a result, for the purposes of this study, the semi-structured interview was selected to investigate the beliefs and thoughts of bank managers and government officials in the KR regarding the rebuilding of trust among the KR population.

The semi-structured interview was chosen for this study as it was believed that it is a suitable tool to attain the objectives of this research. This method is applied for some specific reasons. One of the reasons was that the researcher needs to carry out non-standardised one-to-one interviews with the KR bank managers and government officials and allow them the opportunity to express their own feelings and thoughts about how

trust can be developed among the people of the KR. This information is valuable since the bank managers and government officials have direct observation and experience with the banking system in the KR. Meanwhile, semi-structured interviews give the opportunity for the interviewers to extend their responses as it provides them with the flexibility to do so by answering the questions. Another significant reason was that the bank managers and government officials in the KR were unlikely to give more than one opportunity to the researcher in order to carry out the interview with them due to time limitations (Brewerton and Millward 2001). In fact, it was not easy to convince bank managers and government officials to carry out even one interview with them at the start of the study.

The semi-structured interviews consisted of eight sections. These sections were: the background of the interviewee, the current state of the KR banks, trust, culture, banking system developments, religion, foreign bank entry and the political situation. These sections aim to clarify the current situation of the banking system in the KR with its weaknesses and strengths. It also identified the main issues that made people lose trust in the banks and the reasons behind that from the bank's managers and government official's perspectives. These sections provided the data to identify the interviewee's information about the trust in the banking system and how they perceived rebuilding trust among the KR people, and enhancing the banking system in the future. An example of the interview topics can be seen in the appendix (16 and 17).

4.8.1.1 Interview sampling and accessibility

When the population in the study is hard to access, the researcher has to decide on choosing the study population (Bakeman 1992). According to Bryman (2008, p.168), sampling can be defined as:

“The segment of the population that is selected for investigation, it is a subset of the population. The method of selection may be based on probability and non-probability approach.”

In order to achieve the aim of the study and objectives of this research, interviews were conducted in the KR with bank managers of private and state-owned banks to gain a more in-depth understanding of the phenomenon, government officials from the ministry of finance were also invited to participate because the banking system in the KR is overseen by the ministry of finance.

In the event of gaining access to the bank managers and government officials, this proved more difficult. Initial access to prospective respondents was achieved through emailing and calling known bank managers and government officials with a summary of the research. Out of 20 managers who had been initially contacted, only four answered the invitation positively. This was not surprising for the researcher as fear of losing their posts made many managers not decide to participate in the study, especially state-owned banks and government officials. After this, the researcher obtained an official letter from the Dean of his work (Dukan Technical Institute) asking the bank managers to help the researcher in order to conduct his research. This only helped to convince a further two bank managers and one government official at the ministry of finance. Most of the participants were afraid that the interview would be very complicated and could cover some sensitive subjects about their banks and offices, especially when they were informed that the interview would be tape-recorded. The researcher always reminded them that the study was only for scientific purposes and only covers their personal experience in the KR banking system. In the end, to gain the final number of participants, the researcher discovered that the only way to encourage the rest of the participants was through formal method. The researcher was introduced to the general director of the KR banking system

that oversees all state banks in the region and introduced the researcher to some bank managers which was quite helpful in attracting more respondents. In addition, another strategy was used in order to attract respondents to participate in the study was to offer flexibility in terms of location and time of the interview. In some cases, the researcher had to wait for hours as the manager was busy or late for the interview. At this stage, the number of participants reached 13, and it was felt that the data saturation had not been met yet.

Then the next step, snowball sampling was adopted. Snowball sampling consists of researchers finding respondents who refer more respondents (in that area), by sequentially offering the name of the next respondent (Vogt 1999). Additionally, Hendricks et al. (1992), indicate that the snowballing technique provides an excellent advantage if the study is qualitative. Snowball sampling is useful for the researcher when the participants are hard to find because the participants address or the contact information is not available in other ways. The snowball sampling technique starts by asking the participants who are very familiar with the subject to recommend other participants who know a lot about the subject (Patton, 2002). The purpose of using the snowball technique in this research was because the researcher wanted to know the banking system situation before 1991 as this date was confirmed by the literature (see chapter 3) as a turning point for banks to start losing their confidence among citizens. As one of the interviewed bank managers indicated that he was working in the banks before that date and had good information regarding that period, the researcher tried to find other bank managers that worked in banks before that date and found out that it is not possible except through snowballing. As a result, the researcher contacted that bank manager if he knows any other bank managers or government officials who worked in banks before 1991, and he pointed out

a few names and their contact information. Thus, another 3 participants were obtained and the total sample interviews tottled 16 participants.

The interviews were carried out on a one-to-one basis, as it took less time to prepare for the interview and it was then easier to control and guide the interview process. Seventeen individuals were invited to take part in the interviews, but one of them had to withdraw from the interview because he was called for an emergency work meeting and was unable to re-schedule the interview. The final number of interviews transcribed was 16 (12 bank managers and 4 government officials from the ministry of finance). Among the bank managers interviewed, five of them were employed by state-owned banks while seven of them were private bank managers. Table (4.2) shows the coding of interviewed bank managers and government officials.

Table 4.2 Bank manager and government officials coding	
First state-owned bank manager	SBM1
Second state-owned bank manager	SBM2
Third state-owned bank manager	SBM3
Fourth state-owned bank manager	SBM4
Fifth state-owned bank manager	SBM5
First private bank manager	PBM1
Second private bank manager	PBM2
Third private bank manager	PBM3
Fourth private bank manager	PBM4
Fifth private bank manager	PBM5
Sixth private bank manager	PBM6
Seventh private bank manager	PBM7
First government official	GOMF1
Second government official	GOMF2
Third government official	GOMF3
Fourth government official	GOMF4

With regard to saturation, according to Strauss and Corbin (1998) this is the moment when researchers feel additional data will add no important data. In other words, the moment when saturation has reached signals to researchers that any additional information will no longer benefit their research at that time. In this regard, Denzin and Lincoln (1994, p. 230) assert that researchers seek “evidence of saturation such as replication in the information obtained and confirmation of previously collected data”. Saturation remains a difficult yet crucial principle guiding research based on an open question. It is impossible to define in advance when, or on the basis of what kind of data, saturation will be achieved.

In qualitative research, it seems “easier said than done” to reach and decide the data saturation easily. Therefore, the researcher used several ways to ensure data saturation has reached in his research. First, he was repeatedly checking the data, interview by interview, until the researcher recognised that the data produce few or unessential ideas. This is especially when the researcher heard and noticed a relatively full range of ideas

and views of the phenomena being studied. Furthermore, the research context is known for having a collective culture (see Hofstede et al. 2010). This means it is highly expected to have fairly homogenous opinions. Based on that and according to Saunders et al. (2019) where the aim is to understand commonalities within a relatively homogenous group, satisfactory interviews (a maximum of 12 interviews) should suffice. In contrast, some suggest (e.g. Saunders et al. 2019; Creswell, 2014) that samples must be more than twelve interviews when the data is drawn from a heterogeneous population. Finally, the researcher used (triangulation) more than a method to gather data, albeit it was observed that the outcomes of these methods were relatively alike. What should be noted here is that it seems hard to reach the point that investigators (researchers) judge the data saturation, but throughout the process of data collection and analyses of this study the researcher realised that the new data produced little information and subsequently findings did not generate any new insights.

4.8.2 Questionnaire

The second set of data collection methods used in this research study to identify the main barriers that affected respondents in regards to dealing with banks, was the self-administration questionnaire.

Oppenheim (2001, p.100) defined the questionnaire as:

A set of questions, including perhaps some open-ended ones, from more rigidly constructed scales or tests. A questionnaire may also contain check lists, attitude scales, projective techniques, rating scales and variety of other research methods.

There are different methods in managing a questionnaire survey, one being the self-completion questionnaire and the other being the structured interview questionnaire (Bryman 2008). In the self-completion questionnaire (that was adopted for this study), all

respondents answer the questions in the same chronological order by themselves (Oppenheim 2000). This type of questionnaire can be delivered to the participants through mail, as a drop and collect questionnaire or via the internet (Saunders et al. 2012).

By contrast, in the structured interview questionnaire, the researcher or interviewer is present in person and records the answers to the questions (this also can be done over the phone). (Bryman and Bell 2007). Figure (4.4) illustrates the different types of questionnaires.

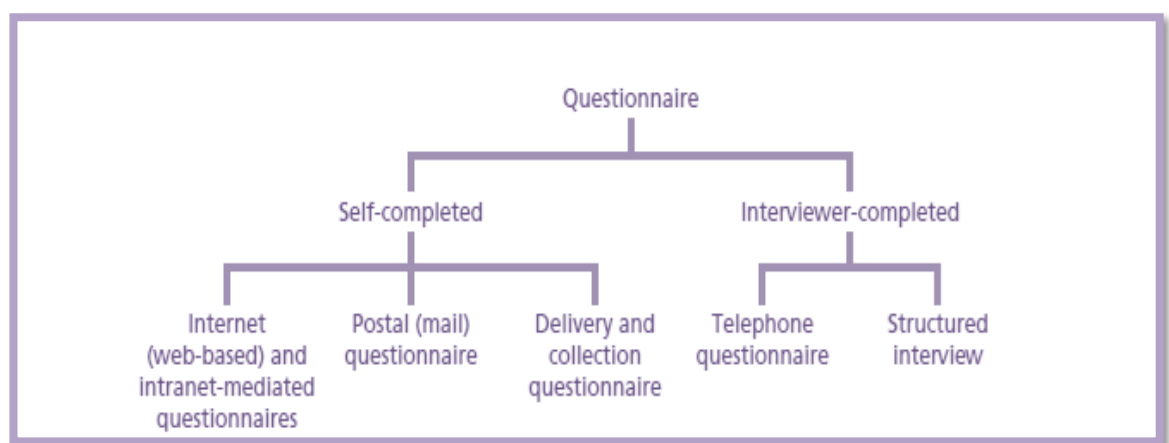


Figure 4.4 Types of the questionnaires, adopted from Saunders et al. (2012, p.420).

The self-completion questionnaire was chosen for this since it offers numerous advantages. They are low-cost, and the data collection process is quick and easy particularly if the participants are located in different areas and are in large numbers (Robson 2002; Easterby-Smith et al. 2008). However, this type of questionnaire also has its disadvantages, including a low response rate and the inability to collect additional information since the researcher is not present while the questions are being answered. (Oppenheim 2001; Bryman 2008).

According to Bryman and Bell (2007), questions asked in a questionnaire can be divided into open-ended and close-ended questions. Open-ended questions permit the respondents

to state their views freely without being controlled by the researcher, while close-ended questions force the participants to a specified set of choices being offered (Foddy 1994). Both types of questions have their own advantages and disadvantages. Open-ended questions give a detailed answer to the questions being asked as the respondents are free of what they think about the subject, but it is time-consuming for the researcher as it requires extensive coding and larger numbers of participants to leave this type of question unanswered. In contrast, close-ended questions provide a greater response rate and analysing the answers is simpler than compared to open-ended questions (Bryman 2008). Close-ended questions with multiple choice answers were predominantly adopted in this study and only three open-ended questions were asked. The purpose behind adopting close-ended questions was to reduce misinterpretations and misunderstanding and to achieve standardised answers which are more easily analysed and interpreted.

Among the various data collection methods, data collection via the internet has become an accepted mechanism for conducting research on human perceptions, preferences, attitudes and many other social perspectives (Best and Krueger 2004). Online surveys are an accepted method for collecting data and have had a significant data consequence on data collection methodology in many facets (Gunn 2002). Data collection through online surveys is low-cost when compared to mailed surveys and it is also faster as the data collected is downloadable into data analysis packages. It is also dynamic as the survey can reach a greater geographic location (Gunn 2002; Best and Krueger 2004). In regard to the advantages of data collection on the web, Dillman (2000, p. 353) states:

“Once the electronic data collection has been developed, the cost of surveying each additional person is much less, compared with both telephone interview and postal procedures. In some instances these technologies may result in decisions to survey entire populations rather than only a sample”

Many online software programmes have been designed for online surveys such as SurveyMonkey (www.surveymonkey.com) and Qualtrics (www.qualtrics.com). The current study used Qualtrics software as it was supported by Cardiff Metropolitan University and it met the need of this research. One of the most important features of Qualtrics software is the ability to answer questions using mobile phones that are connected to the internet. This was one of the factors that motivated the researcher to adopt this software since most people in the KR use the internet via their mobile phones. Table (4.3) shows the advantages and disadvantages of electronic and internet questionnaires.

Method	Advantages	Disadvantages
Electronic or internet questionnaires	Low cost Easy for researcher Convenient for respondents Allows anonymity Potential for quick response Time for thoughtful answers Low social desirability bias Greater safety for researcher and respondents	Limited to computer savvy Difficulty getting cooperation Potentially lower response rate Literacy requirement May not be able to identify respondents

Table (4.3) advantages and disadvantages of electronic or internet questionnaires
Source: Ary et al. (2013, p. 388).

The advantages on the above table encouraged the researcher to use an electronic questionnaire, while the advantages are limited; some of them were not an advantage for the research like the ability to identify the respondents, as the researcher did not want to identify respondents.

The current study adopted the mixed-mode approach, as the response rate among the six categories (see table 4.5) of the population sample could not reach simply through the

internet, namely in business people and older members of the KR population. As a result, the researcher had to use the ‘drop and collect’ mode in order to reach this segment. 20 paper-based questionnaires (with the same example as the online one) were distributed among the business people who did not use the IT group and 19 of them were returned (95%).

The questionnaire was designed based on the results of interviews with bank managers and government officials. It should be noted here that the questions of the questionnaire were derived and constructed from the outcome of the reviewed literature and first set of data collection set (qualitative) (see table 7.1)

4.8.2.1 Questionnaire sampling

The quantitative section of this research intended to identify the main barriers that lead people to lose trust in the banking system as well as the factors that led to people using cash instead of banks. It is apparent that reaching the whole population for the purpose of the study would be impossible, so sampling techniques were applied. There are two types of sampling techniques, probability and non-probability. This study uses probability sampling, a method that is generally applied in studies where the researcher wants to draw conclusions about the population through a chosen sample of the population (Saunders et al. 2012). The main motivation behind using probability sampling is to ensure that the data that is collected were representative of the sample population and is of the highest quality possible. The rationale for choosing a purposive sampling approach was that the researcher had previously worked in banks and knew which groups or individuals were likely to provide a full range of data (Denscombe 2008). According to Denzin and Lincoln (2000), purposive sampling can maximise the likelihood of gaining precise and reliable information about the researched phenomenon. It focuses on choosing respondents who

have pertinent information relevant to the study as well as the ability to discuss their experience. According to Roscoe (1975), a sample size of greater than 30 participants and less than 500 participants is suitable for the majority of research. In cases where the samples are divided into some sub-samples (like males/females or users/non-users), a minimum of 30 participants for each subgroup is required. In this regard, the sample in this study was broken down into six different categories including non-bank users, reluctant bank users, positive bank users, businesses bank users, businesses bank non-users and Kurds who live abroad and use banks (in a western fashion) when outside Kurdistan to see how their attitudes changed when they exposed to a developed banking system. 50 questionnaires from each subgroup were returned. Table (4.5) shows the definition of the six different categories.

Categories	Definition
Non-users of banks	Participants who do not have bank accounts and do not use banks at all.
reluctant bank users	Are those who use banks but not because of their choices but they are required to use banks especially by their employers
positive bank users	Are those who use banks by their choices and prefer to keep their money in banks,
businesses bank users	Business people who use banks for their business purposes
businesses bank non-users	Business people who do not use banks for their business purposes
Kurdish people who live outside KR	Kurds who live outside KR and use banks in a western fashion

Table (4.4) six different categories for questionnaire sampling

The purpose behind targeting each of the above subgroups was to gain an understanding of the attitudes of respondents with regard to the current banking system in the KR. Non-users of banks were chosen to find out the reasons that they never used a bank. Then reluctant bank users were chosen to determine how this group of bank customers describe

their experience with banks. Positive bank users were chosen to analyse the attitudes of bank customers in the KR regarding their banks and also to identify the reason why they chose their current banks. In addition, business bank users were chosen to identify how banks dealt with businesses and companies, while the business non-bank users were chosen in order to identify why those type of people who need the bank more than non-business people, or those who have never opened a bank account. Lastly, Kurds who live abroad and who are exposed to and using banking in a western fashion when outside Kurdistan were chosen to find out whether or not encountering a modern banking system has changed their attitude towards banking.

Facebook and Twitter were used to launch the questionnaire (mostly Facebook as most of the population in Iraqi Kurdistan uses it) and emails to some business people with the same questionnaire were attached for completion. Initially, the questionnaire was published on the researcher's Facebook page, where he has more than 1500 "Friends" including all ranges of social groups (farmers, teachers, doctors, students, workers etc.). Then other friends in different provinces of Kurdistan (all five provinces), who have thousands of friends, were asked to advertise the link on their pages. When the completed questionnaires came back. Qualtrics was used to know where in the region respondents took part in the study. With this it was able to be determined that the questionnaire had reached all the provinces in the region.

After launching the survey for 40 days through Qualtrics, 520 completed responses and 410 uncompleted were received. Uncompleted surveys were ones which respondents started but did not finish; the reason behind that might be the fact that the questionnaire was online and they did not know how many pages (even though the software told them

how many percentages were left to finish the form). Once the survey was closed, all the 'in progress' and 'incomplete' responses were removed.

4.8.2.2 Questionnaire language

Since all of the respondents of the current study were Kurdish, the original questionnaire was translated from English to Kurdish (see Appendix 22). In order to make sure that the Kurdish version is the same as the English version, the translation was checked by three Kurdish-English translators. The Kurdish version was shown to a number of respondents in a pilot study in order to make certain that it could easily be understood. Afterwards, both languages were inserted into the Qualtrics software which, permits respondents to switch between languages (Kurdish or English) at any stage of the questionnaire. On the welcoming page, the instructions on the welcome page explain how to choose language preferences. The English option was provided to cater to participants who speak in Kurdish but do not know how to read it.

4.8.3 Pilot study

The pilot study test is a crucial component of the case study process as it offers the opportunity to test all aspects of the interview and questionnaire questions prior to beginning official fieldwork. This gives the researcher time to revise problems and deficiencies to ensure that the highest level of reliability and validity of the collected data is obtained (Williams 2003). According to Jennings (2003), a pilot study is not limited to quantitative studies alone but it is also essential for qualitative studies. One of the significant features of a pilot study is that it permits the researchers to make proper adjustments with regard to the sequencing and wording of the questions in both interviews and questionnaires (Saunders et al. 2012). Another significant aspect of the pilot study is that it offers the researchers some real-life interviewing practice. As a result, it encourages

a sense of confidence and gives the interviewers a chance to spot questions that may annoy interviewees or make them uncomfortable (Bryman and Bell 2007).

More significantly, a pilot study helps researchers test that the questions in both interview and questionnaire are clear, are easily understood and unambiguous. As a result of piloting, ambiguous questions can be reviewed and refined so that the respondents have no difficulty answering them (Boynton 2004).

With regard to the above-mentioned important role of pilot studies in the research process, both interviews and questionnaires were piloted in this research study to attain a higher level of validity and reliability. The pilot study for the interview questions was conducted in two phases. Firstly, the questions were sent to the ethics committee. Once they were approved by the ethics committee at Cardiff Metropolitan University on February 19, 2013, the questions for the interview were shown to some academic scholars in order to make sure that they were appropriate and sound. After considering their comments, the interview questions were piloted face to face with five KR bank managers and all notes and inquiries that arose during the interviews were recorded. Based on the issues that arose during the interviews, a few questions/topics were amended and few were removed as it was felt that they were superfluous for the research study. One of the important advantages of the current research study's pilot study was that some bank managers gave the researcher the names of some prominent bank managers and government officials who the researcher could also contact in order to interview them for the official interview data collection. As previously noted, all of the contacts proved to be successful. Based on the pilot study, the questions for the semi-structured interviews were developed further and improved. A sample of the interview questions can be seen in (Appendix 16) and (Appendix 18).

The questions for the questionnaire which arose from the analysis of the bank managers and government officials' interviews were also piloted. A large number of the questionnaires would be issued online, the process of piloting the questionnaire was conducted through two different methods, the first method being via email to five respondents who were all sitting in the same room with the researcher. The aim of this process was twofold; one was to ensure that the online design was sent appropriately and that it worked with both mobile phones and computers; the other was to enable the researcher to observe the respondents while they were answering the questions. The researcher was able to record all inquiries and difficulties that the respondents had and amended questions accordingly. For the next method, the questionnaire was sent to another five respondents and once they sent back their feedback regarding the questions and the design of the questionnaire, their comments were taken into consideration. Throughout the pilot study process, questions that were found to be difficult to understand were clarified, and repetitive questions were removed.

4.9. Data analysis

As the study adopted two methods of data collection (semi-structured interviews and questionnaires), different methods of data analysis were adopted. They are explained in the following sections.

4.9.1 Qualitative data analysis

The first data collection of this study was semi-structured interviews with bank managers and government officials. The location of the interview was chosen based on the respondent's convenience and choice, with most of the interviews being conducted in their offices, with the exception of one that was conducted in a public location. Prior to starting the interviews, participants were provided with a participant consent form, (Appendix 14) and a participant information sheet, (Appendix 15). During the interview process, interviewees were encouraged to ask for any clarification regarding the questions. The initial interview questions began with general and simple questions such as the interviewee's current position and how long they had been working in that role. This type of question is essential to make the interviewees feel comfortable early in the interview process (Bryman 2008).

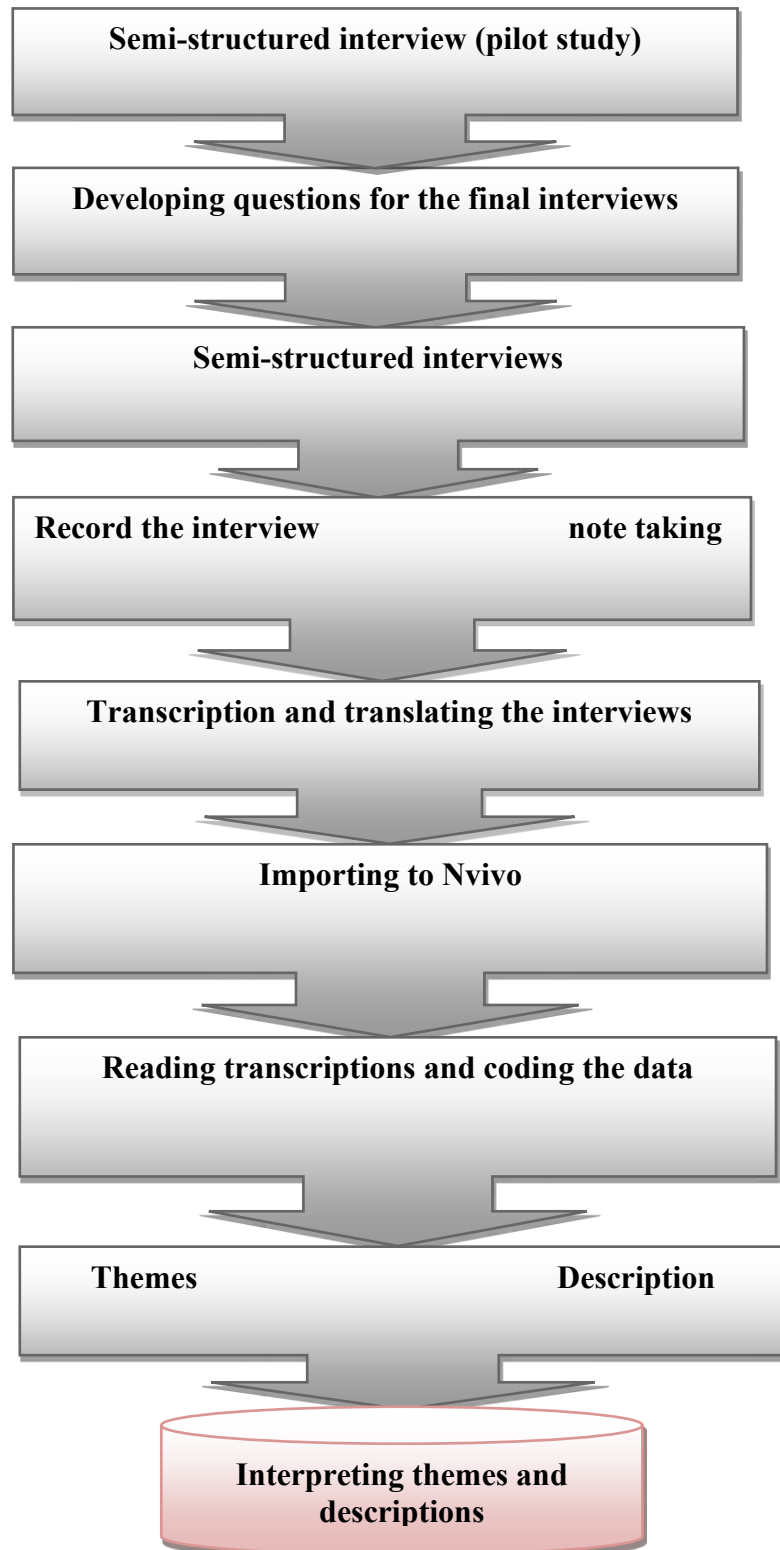
All interviews were audio-recorded and then transcribed. The average duration of the interviews was approximately one hour. The time frame utilised for this phase of data collection was two months, April and May 2014. Even though all interviews were stored in a recording device, they were also sent to a personal email, because the researcher was travelling from Kurdistan back to the UK and wanted to avoid losing the data due to any unpredictable circumstances. Since all the interviewees were Kurdish and could not communicate in English, all interviews were conducted in Kurdish and were then translated into English before all the transcribed data was inserted into the Nvivo-10

software programme. According to (Easterby-Smith et al. 2012), using Computer-Aided Qualitative Data Analysis Software (CAQDAS) programs (e.g. Maxqda, Nvivo, etc) helps researchers to get a closer look at the transcribed data and increases the transparency and accuracy of the data analysis process, while also helping improve the quality of the research study's outcome. In order to become familiar with the Nvivo programme, the researcher participated in a training course which was provided by Cardiff Metropolitan University. Before starting the coding of the data, interview transcripts were read and re-read many times by the researcher in order to become familiar with the collected data. Then the coding process was initiated and in this stage of the data analysis process, Nvivo allows the researcher to check the relationship between concepts and themes in different categories. During this stage, the researcher felt that the data gathered was no longer static, but is meaningful and dynamic. In order to interpret the data gathered through interviews, thematic analysis was used.

It is important to note that there is no one best possible way to follow in analysing qualitative data, in this regard, Sandiford and Seymour (2007) assert that, unlike statistical data in which almost all data is subjected to the same analysis methods, qualitative data has multi-techniques and approaches that are adopted by researchers to answer research aims and objectives. This study also used thematic analysis because it allows researchers a lot of flexibility in interpreting the data, and it permits them to approach large data sets more effortlessly by sorting them into broad themes. Due to its flexibility, thematic analysis allows for a rich, detailed and complex explanation of the data (Braun and Clarke, 2013). The nature of this research requires some sort of flexibility because of the context of the research and the research phenomena. Thus, both inductive

(allowing the data to limit the themes) and deductive types (coming to the data with some preconceived themes based on existing concepts or ideas) of thematic analysis were used.

Figure (4.5) summarises the qualitative data analysis for this study.



4.9.2 Quantitative data analysis

Data analysis consists of categorising, examining and interpreting the findings in order to support or reject a theory or to produce a new theory. According to Saunders et al. (2003), there is not a single pattern for analysing the quantitative data. However, mathematics and numerical techniques are regarded as the most appropriate language for analysing quantitative data and a proper technique for obtaining facts systematically (Sutrisna 2009).

Once the online questionnaire has been completed, the Qualtrics software allows researchers to automatically transfer the data from Qualtrics into SPSS, (Statistical Package for the Social Science) which enables the analysis of the quantitative data in a systematic process. There are two types of tests in quantitative data analyses which are parametric tests and non-parametric tests. The parametric test deals with numeric data such as weight, sales, height, heart rate which follow, while the non-parametric test deals with frequencies such as marital status, nationality, movie preference; since no assumptions are included relating any parametric. When the sample size is large, which test you use (parametric or non-parametric) makes a slight difference and both tests are served in a good way. But when the sample is small, there will be a significant difference between them (Chin and Lee 2008). When the dependent variable is measured at a nominal base, the Chi-square test is one of the good tools to use for analysing the data, because non-parametric tests are suitable for nominal variables. Since the Chi-square test makes no assumption about the distribution of the sample, it is called the distribution sample free test (McHugh 2013). Because this research has a large size sample, there will not be a big difference whether to use a parametric or non-parametric test, in this regard, for most cases non-parametric tests were used through Chi-square tests to compare

two distributions. In order to identify the main factors that influence potential customers not to trust and deal with banks, the quantitative analysis was divided into two main stages. The first stage was descriptive analysis. The statistical techniques that were used in the descriptive analysis were frequencies, percentages, means and mode. The second stage consisted of the application of preliminary statistical analysis in order to produce the correlation between gender, age, education, having and not having a bank account, banking experience etc. The tests that were used in this stage are analyses of variance (ANOVA), and (Chi-square test) alongside Standard Deviations in some cases. The difference between those two tests depends on the research design; the Chi-square was used to compare the means of two groups while the ANOVA along with or followed by Post Hoc tests was used to make a comparison between a single independent variable that had more than two levels (Pallant 2007).

Lastly, to satisfy the research objectives, a number of hypotheses were constructed. The hypothesis was categorised based on the research question number (2 and 4).

Objective two: To develop a framework identifying those factors which inhibit and promote trust. To satisfy this research objective, two hypotheses were constructed

Hypothesis 1

H_0 : there is no relationship between current place of residence and keeping or withdrawing salary

H_1 : There is a relationship between current place of residence and keeping or withdrawing salary

The purpose of this hypothesis is to find out whether or not there is a relationship between the bank users' behaviour who live inside Iraq and those who live outside Iraq regarding using banks.

Hypothesis 2

H_0 : There is no relationship between having bank account and closeness of bank

H_1 : There is a relationship between having bank account and closeness of bank

The purpose of this hypothesis is to find out if there is any relationship between the closeness of banks and having a bank account.

Research objective Four: To determine any particular issues which prevent the Iraqi population from developing trust and so use of the banking system in the KR. To satisfy this objective, a number of hypotheses were constructed.

Hypothesis 3

H_0 : There is not any relationship between occupation and having bank account

H_1 : There is a relationship between occupation and having bank account

The purpose behind this hypothesis is to find out if having an occupation encourages people to use banks or not.

Hypothesis 4

H_0 : There is no relationship between having bank account and qualification

H_1 : There is a relationship between having bank account and qualification

The purpose of the above hypothesis is to find out if having a higher qualification promotes using banks or not.

Hypothesis 5

H_0 : There is no relationship between having bank account and place of residence

H_1 : There is a relationship between having bank account and place of residence

The purpose of this hypothesis is to find out if the behaviour of people changes when they experience a developed banking system, as this hypothesis compares the people from inside Iraq with people who travelled or immigrated to developed countries.

Hypothesis 6

H_0 : There is no relationship between having a bank account and having saving

H_1 : There is a relationship between having a bank account and having saving

The purpose behind this hypothesis is to find out if having a saving encourages people to use banks or not.

Hypothesis 7

H_0 : There is not any relationship between respondent's place of living and their opinion regarding interest-taking

H_1 : There is a relationship between the respondent's place of living and their opinion regarding interest-taking

The purpose of this hypothesis is to test the opinion of people regarding interest taking based on their place of living.

Hypothesis 8

H_0 : There is not any relationship between having a bank account and people's opinion about the honesty of banks

H_1 : There is a relationship between having a bank account and opinion about honesty of banks

This hypothesis tests the opinion of people who have a bank account regarding the honesty of banks and comparing it with people who do not have a bank account.

Hypothesis 9

H_0 : There is not any relationship between having a bank account and considering using banks as Halal

H_1 : There is a relationship between having a bank account and considering using banks as Halal

The purpose of this hypothesis is to find out if a participant who already has a bank account considers using banks as Halal or not.

Figure (4.6) shows the Summary of the stages of quantitative data analyses.

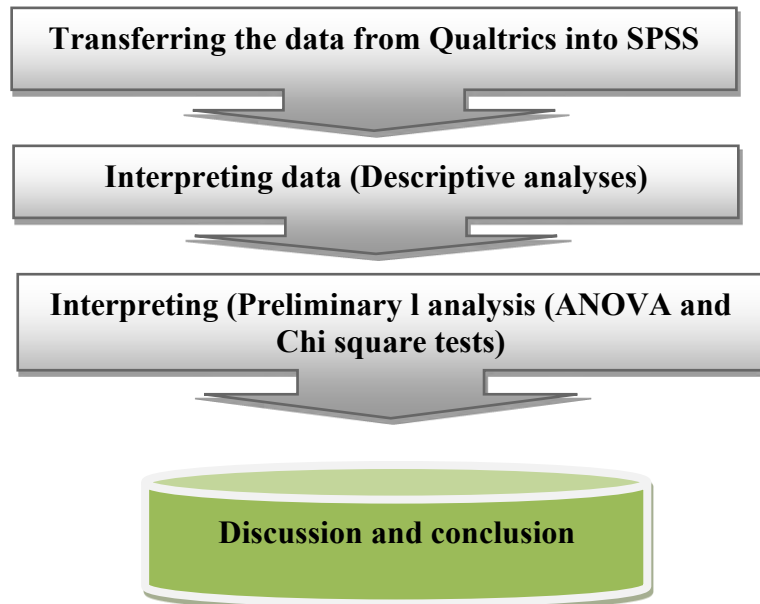


Figure 4.6 Quantitative data analyses stages

As has been previously noted some of the questionnaires had to be completed face to face.

In order to use the SPSS facilities available in Qualtrics, the researcher entered the data from each copy questionnaire into Qualtrics so that a full data analysis could be undertaken.

4.10. Reliability, Validity and triangulation

All researchers need to be conscious regarding the quality of their study and this can be done by investigating the validity and reliability of their research. In this regard, Bryman (2008) suggests that reliability and validity are interconnected, which means that the study cannot be valid without being reliable.

Reliability in research means that an investigation generates the same result under stable situations at all times (Babbie 1995). The main purpose of reliability is to decrease errors and unfairness in a study (Amaratunga et al. 2002). Furthermore, Robson (2005, p.551) defined reliability as

The extent to which a measuring device, or a whole research project, would produce the same results if used on different occasions with the same object of study

The current study tried to establish reliability through the use of different methods of data collection (qualitative and quantitative) as well as to sum up the viewpoints of both banks' managers and potential customers. Sixteen interviews were conducted with bank managers and government officials, followed by a questionnaire survey with potential customers. In addition, both interviews and questionnaire were piloted thoroughly in order to increase the reliability of the research. Interview questions were the same for all interviewees and they were proposed to support the research questions as well as the research aims and objectives. All the interviews were conducted on a one-to-one basis and were carried out by the researcher. Meanwhile, the latest Nvivo software was used for the transcription and coding process of the interviews and state of the art technology (Qualtrics software) was used to distribute the questionnaire survey. During the quantitative analyses, the researcher unexpectedly identified that some respondents mentioned that they were being paid through banks, while they do not have a bank

account. To investigate the further, five more one-to-one interviews were conducted with five participants and asking the same question and asking them for an explanation. All of the five interviewees, who had indicated that they were paid through banks, actually meant that someone gave them a cheque and they cashed that cheque at the banks. This illustrates that care was taken fully to understand when an unexpected issue arose.

Validity in research means that the researcher ensures that the research is an accurate reflection of the true meaning of the concepts being investigated ((Babbie 1995; Saunders et al. 2007). Validity is concerned with whether or not the collected data reflects the exact representation of the study (Bernard 2000).

In order to achieve the validity of this research, many procedures were considered. All participants in this research (both customers and banks managers and government officials) were told that the purpose of this research study was purely for academic purposes and their personal information will be kept private and will not be revealed to anyone. This assurance allowed them to express their viewpoints more freely. Also, all of the interviews were audio-recorded to reduce any potential misunderstanding of the answers given. Respondents in both interviews and questionnaire had a chance to respond to the questions either in Kurdish (Native language) or English based on the language that suited them the best. Triangulation was adopted by using different data collection methods with different stakeholders (bank managers, government officials and both, bank customers and non-banking customers). The questions in the questionnaire survey were designed on the basis of the interview analyses and all the different stages in this research were supervised by two supervisors where they always checked the quality of the work. Triangulation in research is the method that allows the different research methods to be merged (Yin 2013). Triangulation is the method used to permit different qualitative

research techniques to be combined (Yin, 1994). Meanwhile, Robson (2005, p.553) defines triangulation as:

A research approach employing more than one perspective, theory, participant, method or analysis, the notion is that this helps in getting a better 'fix' on the object of study.

According to Breitmayer et al. (1993), the main purpose of triangulation is to enhance the validity and reliability of research results. There are four different kinds of triangulation which are: data triangulation; investigator triangulation; theory triangulation and methodological triangulation (Patton 2002). In this research, three types of data triangulation were used. Firstly, data triangulation was used as the data was gathered through diverse sources such as bank managers, government officials, bank customers and potential banks customers and through the use of differing methods (questionnaire survey, document analysis and semi-structured interviews) all to investigate the topic that is trust in the banking system. Investigation triangulation was achieved as the researcher worked under the advice of two supervisors who evaluated the work and provided feedback on a regular basis. Lastly, methodological triangulation was used by applying different research approaches (qualitative and quantitative).

One aspect of research validity is the possibility of generalising the study outcomes from a sample to a population (Byrne 2002). Some researchers such as (Saunders et al. 2007; Williams 2003) report that there are difficulties in generalising the results of qualitative based research.

As the current research mixed the two approaches (qualitative and quantitative) and the sample population was from all over the KR region, the outcomes of the research can be generalised to the all population of the KR as the sampling technique was followed to identify the main factors that made the people in the KR reluctant to trust and deal with

their current banking system. The outcomes of this study can be generalised to the Iraqi population as a whole, as the culture and nature of the Iraqi population is very similar to one another.

4.11. Ethical consideration

Research in social science is usually intended to investigate human feelings, thoughts, motivations and experiences (Muthner et al. 2012). This requires a strong relationship between the researcher and the participants and this relationship is based on ethical commitment. The researcher needs to consider the privacy of participants and does not behave in a way that may harm them. Miller and Brewer (2003) described the relationship between the researcher and the participants as a (win/win) relationship, in which both the researcher and the community being studied parties should benefit positively from the research.

In this research, close attention was given to ethical considerations. The issue started by following the ethical guidelines provided by the Cardiff Metropolitan University. For all three data collection processes there was interview pilot, semi-structured interview and the questionnaire. The researcher applied for ethical approval and the application was approved. During the data collection process, interviews were provided with a participant's information sheet and participant's consent form. All the data was saved in secure locations; where only the researcher had access to it, and the coding system was applied during the qualitative data analysis in order to hide the names and positions of the bank managers and government officials (figure 4.4). The key research purpose was illustrated to all interviewed bank managers and government officials. Great care was taken to make sure that they understood that both themselves and their organisations

details would remain confidential, and only known to the researcher and that any quotes used would be coded to maintain anonymity (Miller and Brewer 2003).

The online questionnaires were confidential as participants were anonymous, even for the researcher. Participants received a link and recorded their answers without writing or mentioning their names. As some of the questionnaires were distributed manually, the respondents also stayed anonymous as they just answered the questions on the papers without writing their names or any indication that belongs to them.

During the interview process, some bank managers and government officials voiced their concerns that the information they provide during the interview might affect their jobs. Once the researcher explained to them that the information is only for research purposes and also that their names would remain anonymous, they were at ease and agreed to participate.

4.12. Summary

This chapter presented the methodology approach used in the research study. It illustrated the research design and research paradigm (pragmatism) and the research approaches (deductive and inductive and abductive) were investigated. Followed by the methodological choice, quantitative, qualitative and mixed methods research was explored and included the rationale behind choosing mixed-method research for the current study. In addition, the research strategy used in this research study was also illustrated. Moreover, three methods that were used in this study were explained. The three different methods were documentation, interviews and survey (questionnaire). In addition, reliability, validity, ethical consideration and generalisation were also covered in this chapter. The next chapter will discuss the interviews with bank managers and

government officials and show their opinions regarding the current banking system in the KR.

Chapter Five: Analysis of interviews with Bank Managers and Government Officials

5.1 Introduction

This chapter presents the analysis of the results of the data collected through interviews with sixteen banks managers and government officials at the ministry of finance. Details of the data collected from the interviews were analysed using NVIVO software. Various themes emerged from the analysis of the data; the most important included banking awareness, paying salaries, the role of banks in the economy of the KR, investment, religion, previous losses, political instability, illiquidity of the banks and competition. These themes order in this way since the researcher adopted thematic analysis (See 4.9.1). The chapter also includes analysing the current state of banks with regard to the strong and weak aspects of the KR banking system according to the interviewee's viewpoints. Then the chapter focuses on analysing the technology used in the KR banks followed by discussing the trust in the KR banks. Finally, the chapter also analyses the viewpoints of interviewees regarding Islamic banking service in the KR, privatisation, foreign bank entry.

5.2 Banking awareness

Banking awareness refers to how aware people are of banks, as well as the importance of banks in society. With regards to banking awareness, interviewees were asked how they see banking awareness among the region's people. Eleven interviewees (e.g. GOMF1; GOMF4; SBM1) stated that banking awareness in the region is very weak. Moreover, [PBM4] believed that a large portion of people in the region do not know what a bank is until they have to use one. Supporting this, [PBM4] suggested that customers and business owners do not have financial and banking awareness saying that:

People don't have a banking education. Even our merchants do not know what the bank is until they need money and come to the banks to get a loan. We need more banking awareness [PBM4].

[PBM2] mentioned that banking awareness depends on the geographic location of the population, with some areas having more banking awareness than other areas. People living in urban areas have more information about banks than those who live in rural areas, but overall awareness is very weak. At the same time, SBM5 suggested that the

lack of banking awareness among the population of the KR region may be one of the reasons why people do not trust the banks. [GOM4] confirmed that by saying that banking awareness is so weak that banking awareness should be raised using newspapers, TVs, and even religious preachers.

The comments are supported by Jawad (2014) who indicated that, while the international standard banking density is one bank for every ten thousand people, in Iraq it is one bank for every forty-five thousand people. This is a part of the reason for a low level of banking awareness among the Iraqi people. This finding is also consistent with Singh and Bradosti (2015) which stated in their research that Iraqi people are basically not aware of the benefits that banks can provide, as a result, citizens are reluctant to use banks. It shows the necessity for promoting banking awareness amongst Iraqi citizens and banks can help this process by providing better banking services.

PBM6 and PBM7 agreed with GOMF4 that banking awareness is poor among the people in the region and that it is the responsibility of banks to introduce themselves and their services to the population:

Banking awareness is very weak as most people do not use banks for their daily life; it needs an immense effort by the banks to educate people about the banking services [PBM6]

GOMF1 and GOMF2 were optimistic about the strengthening of banking awareness in the future. Their enthusiasm comes from two facts: first that there is an increase in the number of students who are going to university, many overseas than before and as Guiso et al. (2004) has shown it is more highly educated who tend to be more familiar with benefits of the banking system. Second, that it is the government's intention to pay all their employees' salaries through banks in the future which will of necessity increase usage. In contrast, GOMF4, PBM6, PBM7, GOMF1 and GOMF2, PBM3 and SBM1 blamed banks for not making a significant effort to attract customers and raise banking awareness amongst the population. They believe that people are aware of banks and

banking, but feel that the problem is caused by the underdevelopment of banks. This is because many banks have not embraced the latest information and communication technologies and are still using systems used by banks before the Gulf War in 1991.

5.3 Paying salaries

With regards to reconciling people with the banking system in the KR, interviewees were asked whether they consider it to be an effective tactic to pay employee wages through banks instead of in cash through their offices. From the bank manager's point of view, paying salaries of all employees through banks would encourage people to patronise banks. Some private banks have offered the government a proposal for that purpose but the government has not agreed to it, even the government bureaux are not allowed to have accounts with private banks and may only deal with state-owned banks.

“The salaries of all employees should be paid through banks. We offered the government a proposal for that purpose but they did not agree to it [PBM7.]”

Currently, only select employees with high salaries like ministers, top officials and university lecturers get their salaries paid through banks, while the rest of the employees are paid their wages in cash at their offices. This finding is consistent with the previously published result (U.S Commercial Service 2012) which clarified that the employment remuneration system in Iraq is cash-based and most financial transactions occur outside the banks.

However, although most bank managers and government officials (e.g. PBM2; PBM3; SBM1; GOM1) agree that paying the salaries of all employees through banks would be a positive initiative, they also agreed that this is not possible yet as the current banking system is too underdeveloped. That process would require more developed technologies such as ATMs with credit or debit cards or online banking services. They also suggested that an electronic paying system should be adopted simultaneously by supermarkets and other retail outlets. For instance, one of the managers confirmed to this by stating that:

“It is very good if all salaries are paid through banks, but it raises another big problem for banks as there is not any electronic payment system in the region. People will queue in front of the banks so that they can withdraw their salaries. So personally, I think it is not compatible with the current banking

system, but if there is an electronic payment method for other common goods and services it will be easier [SBM3]”

He also indicated that due to the limited number of bank branches there would be long queues outside of each bank branch, suggesting that it would be very important for the banks to utilise the latest technologies like ATMs and visa cards and e-banking where the need for physical content is greatly reduced. PBM5 also believed that the current banking system which uses outdated technologies would not be able to sustain a high volume of accounts with in-person banking as the only option for the majority of bank customers in the KR.

5.4 Role of banks in the economy of Kurdistan Region

Supporting Jawad’s work (2014) the findings of this research indicate that the role of banks in the KR in helping the overall economy is weak. When the interviewees were asked about how they evaluated the role of the banks in helping the overall economy of the region, nine out of sixteen interviewees (e.g. GOMF1; GOMF2; PBM2; SBM2) said that the role of banks was not significant, as GOMF3 explained:

“There are a number of obstacles in front of the banks which resulted in them not playing a significant role in helping the economy of the region. The most noteworthy obstacle is political and economic instability, as political and economic stability are two major factors that banks require. So, I can say the role of the banks in helping the overall economy of the region is very weak [GOMF3]”

On another hand, GOMF2, PBM1 and PBM4 thought that banking in the region is helping the overall economy. SBM3 confirmed that both private and state-owned banks have helped companies rebuild the infrastructure of the country and by doing so, they helped the overall economy. He said that:

“After the fall of Saddam's regime in 2003, there was a big gap between the inside and the outside world in Iraq because all state-owned banks in Iraq were on a black list. Later when American forces invaded the country, they established the Trade Banks of Iraq TBI just to carry out the Oil for food programme transactions, but it was not sufficient to perform all the projects at that time. As a result; many private banks were established and they could

send money abroad to pay for the goods which were bought there for the purpose of rebuilding the country whether economic or industrial. So, the role was positive [PBM4].”

PBM2 related the limited role of banks in the economy to the lack of trust by the public as well as the underdevelopment of technologies used by banks. Furthermore, PBM7 believed that only private banks have helped the economy of the region. [SBM1] confirmed this by saying:

“... but at the moment, banks in the region do not play a big role as we do not have enough capital for investment and are limited to the distribution of the government’s money for employees’ salaries and some government projects.”

Most of the bank managers described the state-owned banks as simple money stores which are used by the government to make payments as directed by the government, rather than encouraging a focus on their development.

5.5 Old and new banking system

The examination of past and present developments of the KR banking system in terms of its structure, functions, and difficulties have shown that the financial system in the KR is still limited in terms of its construction and performance and there is no obvious development in the sector. When banks managers were asked how they compare the banking system before the beginning of the Gulf War in 1990 with the current banking system, all of them believed that the banking system before the first gulf war in 1991 was much better than the current banking sector. It can be noticed from the following quote:

“There is a difference between the current banking system and the banking system before the Gulf war, as before the gulf war in 1991, there was a system and regulations for the banks and they were performing good, but after the war, the economic sanction which was put on Iraq by the United Nations including the banking system, made the work of banking system very slow and their links with the outside world were cut [GOMF4].”

PBM1 stated that staff in the current banking system were not experienced and they used to have better bank staff before 1991, but most of the experienced people left due the violence and wars in the country. He also states that the banking system before 1991 was performing well at that time. Another comparison by the managers was that the previous banking system had a good connection with global banks while currently banks are isolated from the outside world.

PBM3 believed that getting a loan from banks was much easier before the war and that there was a better relationship between the banks and people at that time.

Currently, individuals find it challenging to obtain a loan through banks since, as previously discussed in section (2.2), banks oblige customers to have a guarantee. This usually comes in the form of property or real estate which banks take as security until the customer pays back their loans. This actively suggests that banks do not trust their customers, while they blame the KR people for not trusting in banks. This can be evidenced in the following quote:

“The banking system before the Gulf War in 1991, was working well for that time, but banks nowadays use the same old system without bringing in the latest technologies into their work, making them very underdeveloped. Another difference is that banks before the Gulf War were trusted more by people, but since then they have lost most of that trust [PBM2]

This finding is consistent with what was discussed in the literature review, as the literature showed that the banking system was trusted by the Iraqi people before 1991, and they started to lose their trust after that date (see section 3.2). There is another difference between the old and current banking system which is the appearance of private banks, as before 1991 there were no private banks but after the war especially from 2003 onwards, many private banks came into the market (PBM4).

5.6 Investment

In an effective banking system, banks and private sector investments are intertwined; banks provide loans for private sector investments and private sector companies deposit their money in the banks who then invest that money. When asked about the role of banks in the region in helping investment in the private sector, bank managers divided into two groups, one group [e.g. PBM1; PBM5; GOMF2; GOMF4] believed that banks did help investment in the private sector

“Banks have a good role by providing loans for the private sector, for example, we as a private bank opened the link between the investors inside the country with the outside world through the letter of credit and sending or receiving money abroad [PBM5.]”

The other group of bank managers [e.g. PBM3; SBM1; SBM3; GOMF3] indicated that the role of banks in helping private sector investments is very poor or trivial. [SBM3] believed that the help comes only through some slight facilities like issuing them with letters of credit or letters of guarantees. They explained that some banks (both private and state-owned) do not even lend to the private sector. This finding is consistent with that of Aziz and McConaghy (2014) who stated that Iraq's financial system is bank dominant in that banking activities covers 75 per cent of the overall financial service system. However, it is not helpful to the development of Micro, Small, and Medium-Sized Enterprises (MSMEs). Approximately half of the businesses surveyed in a 2012 World Bank Investment Climate Assessment (ICA) indicated great struggle in obtaining financing and less than 7% reported receiving a loan.

These findings are consistent with Mishkin (1999) who showed that the main function of financial markets is to direct funds to those individuals and institutions who can demonstrate useful investment opportunities. If this role is not fulfilled; the economy cannot perform well, leading to a slow down the economic growth. This negative relationship between banks and private sector investors in the KR, highlights the fact that there is a form of mistrust between investors and banks especially as private investors keep their money by themselves instead of putting it in banks.

While SBM1 identified the limited role of banks in helping the private sector to invest their limited capital, SBM4 faulted the private sector for not coordinating with the banks. He believed that the private sector found their way to save and keep their money safe while waiting for banks to upgrade their technologies before investing with them.

5.7 Communication

Banks communicate with their customers using a variety of methods including face to face, telephone, emails, or through online banking services. Some banks even provide live chat for their customers. Communication is an essential way for banks to establish a good relationship with their customers. Developed banks all pay significant attention to efficient communication, including through their web presence. For example, figure (5.1) and (5.2) below shows the numerous options for a customer to contact Lloyds bank in the United Kingdom, with separate communications for each service department. Meanwhile,

figure (5.3) shows the contact unit in North bank in Kurdistan which is one of the most developed banks in the region. There are only two basic methods of communication in North bank; telephone and emails, and the only telephone number provided are for the bank's head office.

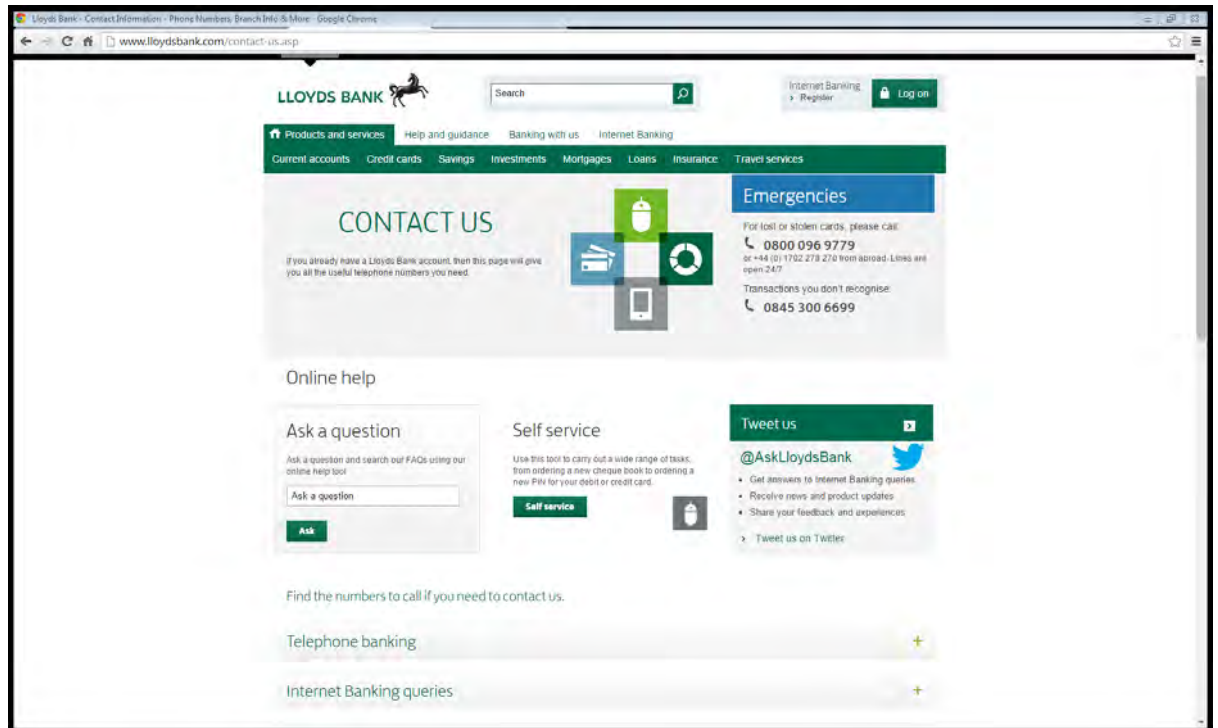


Figure.5.1: Lloyds bank website (contact us) unit Source: <http://www.lloydsbank.com/contact-us.asp> [date accessed 27/11/2014]

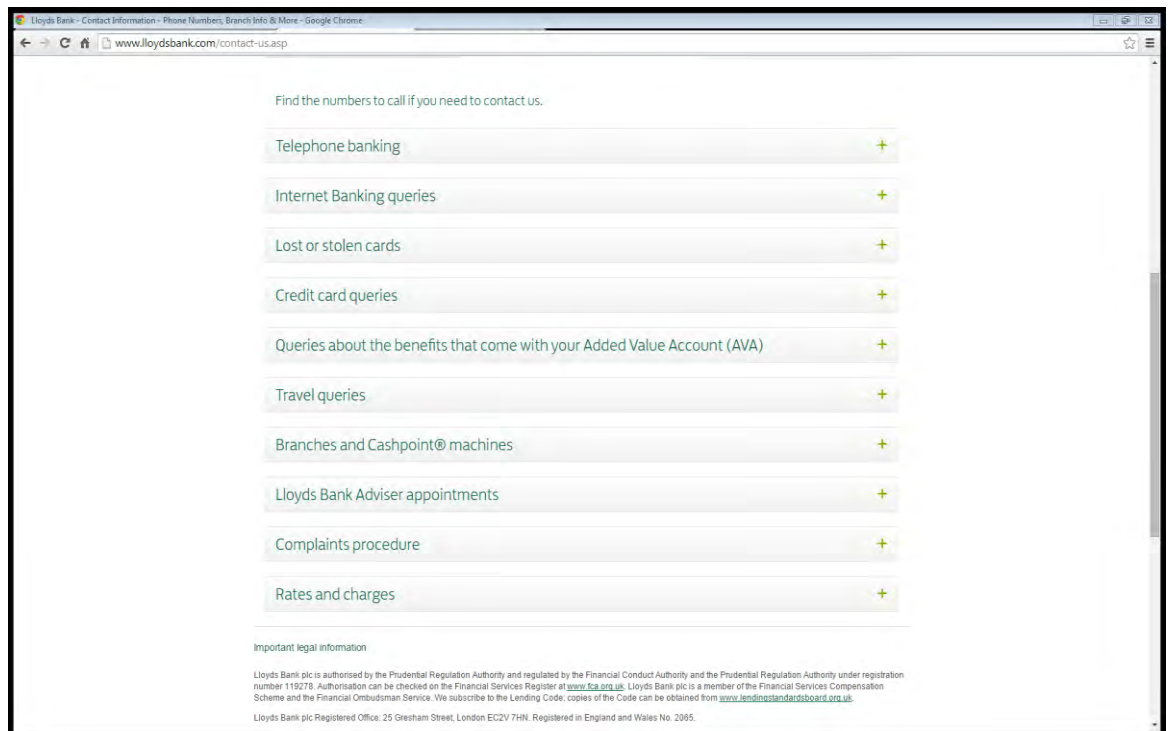


Figure5.2: Lloyds bank website contact us unit Source: <http://www.lloydsbank.com/contact-us.asp> [date accessed 27/11/2014]



Figure 5.3: North bank website (contact us) unit Source: <http://www.northbankiq.com/en/contactus> [date accessed 27/11/2014]

This very limited range of communication techniques brought up questions aimed at understanding the actual communication methods of banks in the KR. Interviewees were asked what means they used to communicate with their customers. In some banks, direct contacts inside the bank in the form of face to face meetings were the only technique used for communication. This is evidenced in a statement by PBM1 in which he indicated that their communication with their customers occurs directly inside the bank when they visit the bank.

Furthermore, only four of the investigated banks had an email address for their customers, the rest only used telephone and direct contact inside the banks. As indicated by SBM3, telephone and face to face are the only available communication methods for their customers because they are not developed enough to use emails or the internet. This can be one of the factors that reduced trust among the banks in the KR since a number of studies indicated that establishing good communication can help companies to improve their trust (Morgan and Hunt 1994; Mukherjee and Nath 2003)

5.8 Barriers

Some people who do not deal with banks may have personal reasons for making that choice. When the bank managers were asked their opinion of the most striking barriers that led to people not dealing with banks, they indicated that there were several different barriers. The most striking barriers are identified in the next sections.

5.9 Religion

Religion affects most of the decisions that are made by people in societies that have followed a specific religious affiliation. Most of the people in Iraq and Kurdistan are Muslim. In order to find out whether or not religion has any effect on people's attitude towards banks, Government officials and bank managers were asked if they believed that religion had any effect on people's attitude towards using banks.

Most of the managers indicated that religion was one of the most considerable barriers. For example, PBM6; PBM2 and GOMF6 indicated that religion is the main obstacle that deters from using banks as the majority of people of the region are Muslim. They think it is Haram (prohibited by Islam) to deal with banks, as evidenced in the following quote:

“...religion also is a barrier. Let me give you an example. I had an employee with a good university degree, so I put him in the deposit account unit in the bank. After 3 days of working there, he told me that he cannot work there anymore. When I asked why he said because a religious man told him that even working in that unit is prohibited by his religion [PBM2]

Meanwhile, (PBM1; PBM2 and SBM1) mentioned that most people considered using banks as being Haram. As a result of the lack of banking awareness, people are unaware that banks can provide non-interest deposit accounts. As demonstrated in the following quote:

“... People in the KR are really concerned about their religion, for example when I was a bank manager, people were coming to me every day and asking me whether or not putting money in the banks is Halal or Haram [GOMF2].”

These findings is consistent with Hassan and Lewis (2007), where they showed that religion can significantly influence the decision-making behaviour of Muslim consumers regarding using banks; most Muslim customers use Islamic banks for reason that they believe that these banks are compliant with Islamic beliefs. Moreover, those findings are also consistent with Singh and Bradosti (2015), when stating that Islamic religion is one of the most prominent barriers that prevent banking operations in the KR from developing.

The reason people think that it is against their religion to deal with banks is because of interest accruing on their deposits, which the teachings of Prophet Mohammed clearly prohibit. Managers believe that the lack of banking awareness among the KR population has misled people to think that dealing with banks is Haram (see section 2.5). Banks offer deposit and current accounts, and according to managers interest is not accrued on current accounts. People also have the option to open interest-free deposit accounts.

Furthermore, when asked about their plan to increase the number of their customers, PBM2 stated that as long as the religious issue exists, it will be quite hard for them to increase the number of their customers.

Additionally, interviewees like (SBM1; SBM2; GOMF3) stated that the people in the region are divided into two groups; one group which encompasses the majority are very concerned with the issue of accrued interest on their money, and another group who do not pay any attention to the religious beliefs on this topic.

Islamic banks can contribute to reducing some of the people's concerns regarding this issue. But as the awareness of the KR people regarding Islamic banking service is weak and due to other concerns that there is no difference between the Islamic banks and non-Islamic banks (Hassan and Lewis 2007; Chong and Liu 2009; Khan 2010; Husman 2015), the role of Islamic banks in reducing this concern will not be crucial.

5.10 Previous losses

The majority of the bank managers for example [e.g. GOMF4; GOMF3; PBM5; SBM7; SBM4] believe that previous losses experienced by customers putting their money in banks, especially during previous wars, has made customers hesitant to trust banks again, as evidenced in the following quote:

"One of the obstacles is the previous wars like the Iran-Iraq war and then the Gulf War in 1991 followed by the Civil War, which made people lose their trust towards the banking system - as most of the banks have been looted during the wars... [GOMF4]

These results agree with Platt (2003) who believed that a significant part of the reason that people do not use banks is a result of the three decades of wars during which time, the majority of the country's banks were bombed, torched and looted. This created a type of banking culture as {GOMF1} explained,

One of the main reasons is the legacy of the banking culture in the region, as most of the people in the KR are not used to using the banks.

5.11 Political instability

All the interviewed managers considered that political instability is an obstacle that prevents people from trusting and dealing with banks in the region, GOMF1 suggested that not only do people not trust the banks but they also do not trust the government. Moreover, SBM5 believed that money does not stay somewhere unstable, and due to political instability, people prefer to keep their money at home. In addition, SBM4 stated that political instability caused people to distrust banks and resulted in people withdrawing their money from the banks for fear of losing anymore during further times of unrest.

“... Banks in the region are prisoners of the total political situation. If the political situation was not unstable, banks would have developed trust automatically. When people feel safe and secure, they will never withdraw their money from the banks but when they don't feel safe and secure then they withdraw their money from the banks. So, the political and economic situation inside and even in neighbouring countries should stabilise then it will help the banks to stabilise and gain trust [PBM4]

This finding is consistent with that of Jawad (2014) which shows that caution and distrust remain as obstacles that delay people's collaborations with banks. People still refuse to deal in cheques, preferring instead to deal with cash. Additionally, as previously discussed in (chapter 2.4) instability has prohibited the growth of automated transactions through credit cards and automated teller machines. It is broadly assumed that the banking system has an exceptional status regarding instability, essentially because instability affects banks more than any other business sector (Carletti and Hartmann 2003).

Meanwhile, according to PBM3 and PBM5, security and political instability did not only result in the general public losing their trust in the banking sector but it also made banks lose trust in the public. This is reflected in the banks' need for significant guaranties in order to get loans, usually in the shape of collateral. The banks' reasoning is that they have to do so to protect them due to the unstable economic system of the region.

5.12. Illiquidity of the banks

Bank illiquidity is a common reason for people not to deal with banks, as depositors expect banks to pay them back on demand. Six out of sixteen bank managers clearly pointed out this problem {e.g. SBM1; SBM2; PBM7; GOMF3}. Banks in the KR have failed to repay their customers on-demand on many occasions, as explained in the following quote:

“The lack of liquidity in the bank, for example, if you deposit some money in the banks now and go back there next week and ask for your money, they will tell you that they do not have enough money to pay you back. This made people lose trust in the banks [SBM1]

This illiquidity problem affected people’s perception of banks significantly, especially since some of them had already experienced some losses before. This finding is consistent with Jamal (2014) who stated that people in Iraqi Kurdistan found themselves unable to withdraw money from their bank accounts, although they have enough money in their accounts. This has become an annual problem almost every year at around the first quarter of the year.

5.13 Competition

The bank managers were asked how they see competition among the banks in the region. Most of them {e.g. GOMF4; GOMF2; PBM2; PBM3} replied that there is no competition amongst the banks in the region, or at least it is not obvious,

“We as state-owned banks do not compete with each other or even with the private banks because we just perform some government work like storing money and distributing the salaries of the government employees; facilitating the lending of money to the companies through issuing letters of credit. But I think private banks compete with each other - but it is not very obvious [PBM2]”.

State-owned bank managers just undertake the tasks set out by the government so they are unable to focus on the development of their banks or the diversification of any of their services. This inevitably leads to inertia and a lack of incentive to pursue change. They believed that competition does happen when bank managers have authority over changing their banks for the better and when they lack this authority there is no competition among them. SBM2 stated that if the managers were allowed to run the bank in their way, they

could develop their banks and compete with private banks to provide better services for their customers. State bank managers cannot conduct any changes without permission from the state and as a result, they are reluctant to change, and this finding is consistent with Hofstede et al. (2010) regarding the higher power distance cultures.

All interviewees believed that competition among banks would lead to a better banking system in the region {e.g. PBM1; PBM3; SBM3; GOMF3}. They thought the competition would force banks to offer better services to their customers. As mentioned by {SBM3};

“Competition is one of the factors that develop the banking system and then leads to attracting more customers because they are forced to offer the better services”.

PBM7 stated that competition has the potential to promote trust among bank customers. PBM3 stated that competition happens when supply is greater than demand, but at the moment the Kurdistan banking service supply is much smaller than the demand on them, so banks do not need to compete amongst each other.

5.14 Current state of KR banks

All the interviewees believed that there was a big difference between the banking system in the KR and with the banking system outside of Iraq; {GOMF4} indicated that the banking system in the KR does not operate as an efficient banking system because this system is very weak. {GOMF3} stated that *“we have a number of banks in the KR but their quality is very weak and they need an immediate restructuring”*. GOMF1 commented that KR banks perform better than the banks in the rest of Iraq but they are still stuck and are not moving forward,

“If we evaluate the banking system in the KR and compare it with the rest of Iraq, we can say our banking system is better, but if we compare it with the rest of the world, our banking system is very underdeveloped because the banks do not perform their role as banks... [GOMF1]”.

His belief is that most of the state-owned banks do not have capital and a proper management system and also mentioned that state-owned banks cannot perform all government jobs.

“We do not consider state-owned banks as proper banks, because banks should work in accordance with the international standards and need to have

devoted capital with authorised managers. The SOBs do not have them, but private banks do work in accordance with the international standard, although they still do not perform as proper banks as the system is still the same old one ... [PBM7].”

This is supported by Jawad (2014) who considers that the managerial structure in most of the Iraqi banks was weak, particularly in state-owned banks, which lack the experience of contemporary banking practices.

5.15 The strong and weak aspects of the KR banking system

When asked about the strong and weak aspects of the banking system in the KR, nine out of sixteen managers interviewed believe that the underdevelopment of the banking system is the most strikingly weak aspect of the banking system in the region. {GOMF4} stated that banks still execute most of their daily work manually without benefiting from the latest technologies. {GOMf3} believed that one of the weak aspects of the banks in the region is that there is no electronic payment system at all. This finding is consistent with Kami and Bayoumy (2012) who believe that one of the weaknesses of the Iraqi banking system is the lack of modern technologies and systems because of the dominance of state-owned banks. By contrast, {GOMF2} believes that being a state-owned bank has an advantage in the banking system as the state-owned banks cannot go bankrupt since the state is behind them. Despite this, GOMF2 still confirmed the inefficiency of state-owned banks because they have not applied advanced technologies in their services. One of the managers confirmed this by stating that:

“...The weak aspect is that the banking system in the KR is still the same old system which has been used before 1991 and it cannot adopt the developed technologies and provide the proper banking service to its customers [PBM1”.]

In confirmation [SBM5] stated that:

“Another weak aspect is that our banking and financial system remains in its beginning... “

Another weakness is that state-owned banks do not have planned capital, which means they cannot propose their plans for the future. Again, this finding is also consistent with

Fletcher (2001) who stated that in higher power distance countries people with inferior rank in management cannot decide to change the procedures without agreement from superior management. As a result, bank managers cannot plan to develop to change their banks because they need to wait for their superiors (the government) to direct them. Managers like {GOMF4, GOMF3 and SBM1} stated that the lack of devoted capital especially in SOBs is one of their weaknesses.

Losing trust among the public is another weakness of the banking system in the KR. Interviewees like (PBM2; PBM5; PBM7) stated that people were scared to deposit their money in banks because they had bad experiences with the banks before with some cases being very recent. For example, during late 2014 and early 2015, most of the SOBs failed to repay their customers on-demand as evidenced in the following quote by a private bank manager:

“SOBs damaged our reputation as well when they failed to repay the depositors on demand, this made people withdraw their money in private banks fear of facing the same situation... [PBM7]”.

When the interviewees were asked about the strengths of the banking system in the KR, (SBM2 and SBM2) replied that there were none. They highlighted the fact that banks are not linked to the internet; that there are no cash machines in the streets; banks cannot send money abroad and there are no electronic links to retail or other business sectors. This is consistent with Kami and Bayoumy (2012), who stated that Iraqi banks cannot help economic development because they are still using technologies that belong to the previous era. Other interviewees found some strengths in the banking system in the KR. Interviewees like {GOMF1; PBM2 and SBM4} found that the fact that they are still operating and ensuring at least a basic banking system that can provide services such as the payment of state employees to be a strength.

On another hand, (GOMF3; GOMF6; PBM3) indicate that establishing new banks, especially a number of private banks, is one of the strong aspects of the banking system in the region, as private banks filled the gap by linking the country to the outside world through global connections. Private Banks in the region are growing quite fast and have the tendency to bring the latest technologies into their daily work by sending their

employees abroad for training. Another strong point of the banking system in the region is that there have not been any recent cases of bank robbery.

5.16 Technologies

As discussed in section 2.9, in today's business environment, technology plays a substantial role in improving the performance of banks and their service quality. To understand the opinions of the bank managers and government officials in the KR regarding the use of technology in their banking services, interviewees were asked if they believed that if banks used more developed technologies (e.g. internet banking, mobile banking, telephone banking or cash machines), it would motivate people to open accounts in banks. All the interviewees felt that if banks adopted the latest technologies in their daily work, its inhabitants would be encouraged to open accounts in banks. This is evidenced in the following quote:

“Developed technologies are very important for banks because they encourage people to invest or save their money in the banks instead of keeping it at home; our banks need to bring in the latest technologies into their daily works [GOMF3].”

Moreover, (GOMF3; GOMF6; PBM3) believed that if banks in the region brought the latest technologies into their work, it would increase banking awareness among the people of the region and increase the likelihood of people dealing with banks. Currently, banking hours are a big issue for banks since banks only open on weekdays from 8 am to 2 pm, while the normal working hours in the region are from 8 am to 3 pm. Since banks are closed on Friday and Saturdays, people would have to take time off from work to go to the bank. One solution for this issue is for banks to adopt electronic banking or online banking services like automated teller machines (ATM) or internet banking which would help customers to withdraw/transfer money any time of the week. Regarding the acceptance of modern technologies by the customers in the region, {SBM5} believes that people in the region would be willing to accept modern technologies as evident in the following quote:

“Any modern technology in this region will be accepted so quickly, as we have already seen how people adopted mobile phones and internet connections. I think whenever banks start to apply those new technologies like ATMs, mobile banking or internet banking; it will attract a lot of customers [SBM5].”

However, this statement is not supported by McCoy et al. (2007) who stated that people with high uncertainty avoidance culture (such as Iraq) are reluctant to accept changes and new ideas. Nevertheless, adopting modern technologies like ATMs or internet banking is not just related to banks, because these modern technologies require uninterrupted electricity and good quality of internet service which are not fully available in the region. In fact, there is still no electricity available in most of the cities and towns for 24 hours. Meanwhile {PBM3} believes that banks along with the retail sector and other sectors can encourage people to use the banking systems in the region if they all adopt electronic payment. For instance, cash is currently the only acceptable method of payment if you want to pay your utility bills, buy groceries, fill your car's fuel tank or buy drugs and medicines. This finding is consistent with (Calisir and Gumussoy 2008; Gu et al. 2009; Baptista and Oliveira 2015) who showed that adopting information and communication technology helps banks to reduce transaction costs, improve customer service delivery as well as catch up with the global business development.

5.17 Trust

In the last three decades, banks in the KR have been faced with people's unwillingness to deposit their money with them. To explore whether or not banks have lost their trust among the inhabitants of the region, the bank managers were asked if they thought this was the case. Conclusively, thirteen managers believed that banks have lost trust among the people. However, the three other interviewees (e.g. GOMF1; GOMF2; GOMF3) stated that banks have not lost their trust among the people. These interviewees are government officials in the finance ministry and as such are not involved in the banking sector directly; their views can be evidenced in the following quote:

"I cannot say that banks totally lost their trust because there are many customers and depositors, but I can say the existence trust is weak [GOMF3.]"

{GOMF2} supports the above quote by stating that every month the number of depositors in the banks is increasing, but he does not hide the fact that recently this trust was weakened. On the other hand, most of the bank managers (PBM1; PBM2; PBM4; SBM1;

SBM2) clearly state that banks had already lost their trust amongst the people. This finding is consistent with (Al-Janabi 2013; Zebari 2013 and Raheem 2016) who indicated that Iraqi banks have lost their trust among the population of the country. Interviewed bank managers believed that different reasons contribute to this. {PBM3} believes that one of the reasons that people do not trust the banks is the unstable economic situation in the region, while (PBM1; PBM2; PBM4; SBM; SBM4) consider that the most notable reason is the recent financial crisis in the region. This is supported by the following quote:

“Due to the previous bad experience with the banks ... and recent financial crisis and the illiquidity of the banks I can say banks have lost their trust at the moment [PBM6].”

This finding is paralleled with Jansen et al. (2015) who stated that negative experiences of the past financial crisis affected trust in the banking system. This finding is also consistent with Al-Silefanee's, (2014) which suggests that the recent financial crisis in the KR region has exposed the KR government's financial vulnerability. This was evident when the KR banks faced a lack of liquidity which failed to pay their employee's their salaries. According to Foo (2005), gaining the necessary liquidity and credit is acquired through a solid banking system in any country which then improves the market economy. Facing liquidity problems by the KR banks is a sign that they are not solid. Maybe this problem is a result of the central government's refusal to send the KR's share of the annual budget due to a political dispute between the KRG and the central government in Baghdad. The fact that they were unable to pay their customers in three months raises big questions about the bank's credibility. Usually, in these types of situations, banks lend money to help the government to overcome the crisis, but in the KR, banks do not have this function. Meanwhile, {PBM4 and BBM1} believe that trust in banking revolves around the ability of banks to repay their customers on-demand and banks in the KR failed to do that, as evidenced in the following quote:

“... Trust in banking services is the availability of cash for customers on demand. If the customer comes to a bank and cannot get the amount they want, then the trust between that customer and the bank will be damaged [PBM1].”

This finding is consistent with Harrison (2003) who stated that customers in the banking system usually buy a number of promises that the banks protect their funds and look after their benefits, and when they fail to do that, they will lose their trust among their customers.

5.18 Future Development Plans

There is a big difference between the private banks and SOBs in the KR regarding the independence of the management. SOB bank managers cannot make decisions regarding the development of their banks or pertaining to any changes to their branches because the final decision is that of the government.

In contrast, private bank managers like (PBM1; PBM4; PBM7) mention that they have plans to increase the number of their customers by providing better services to their customers, but they fail to explain how they will improve their services. For example, PBM1 stated that:

“We try to increase our customers through providing better services while PBM6 commented that “we want to increase the number of our customers by improving our services”

The general reason behind state intervention in the banking sector and establishing state-owned banks was to generate trust and confidence through political stability (Lindgren 1997). But when interviewees were asked about the role of the government in helping the banks in the region, nine out of sixteen bank managers and government officials (e.g. GOMF3; PBM1; PBM3; SBM1; SBM2) stated that the role of the government is negative when it comes to helping the banks, as seen in the following quote:

“The role of the government is very poor in helping banks; we have tried many times to bring the newer technologies like smart cards but the government created some obstacles for us [PBM1.]”

According to (PBM5; PBM6; SBM5), the government in the KR does not appreciate the important role that banks play in the economy and people's everyday life. They also believe that the government is not serious about spreading banking awareness among the KR Population. {GOMF1} stated that the government sees banks only as a store for its money and a channel to distribute the money into its projects. The government could have a positive influence on spreading the banking awareness and establishing trust in the banking system through SOBs, but the action of the SOBs to date has damaged the trust because they did not engage with local inhabitants. For example {PBM3} indicated that SOBs could not penetrate into the population since they were unable to help people by lending them money or by issuing them letters of credit. This is made evident by the following quote:

“The role of government is very weak; the government does not encourage the development of the banking system... [PBM6].”

Only five managers, for example (GOMF2; SBM3; SBM4) believe that the role of the government is positive in helping the development of the banking sector. They summed up the positive role of the government in (a) opening bank branches in areas where there were not any bank branches before, (b) providing funds and liquidity for SOBs. The following quote reflects this:

“Government helps the banks in the region by providing liquidity for the state-owned bank and this support from the government helped some people to trust the banks [GOMF2].”

All this positive support only seems to come from those bank managers and government officials employed by the government, which is opposed by those in the private sector. According to the above findings, it seems that the government has not paid enough attention to the banking system, while most of the banking system assets in the KR go to SOBs, and, as mentioned before, the SOBs are less efficient than private banks.

5.19 Regulation

A sound banking system needs to have a proper supervisory body that can implement the minimum required standards for banks within a legal framework that is frequently updated according to changing circumstances. When interviewees were asked whether or not regulations and rules favour a sound banking system, most respondents like (GOMF2; GOMF3; PBM1; PBM3; SBM1) stipulated that the current regulations are not in favour of a sound banking system as it does not encourage banks to develop themselves. This is supported by the following quote:

“... Current regulation and Laws should be changed as they are not in favour of a sound banking system [GOMF2].”

Meanwhile, {GOMF3 and SBM1} confirmed that the current regulation is not in favour for a sound banking system. Although GOMF3 believed that government has a plan to revise those regulations.

This statement is consistent with Kami and Bayoumy (2012) who showed that the banking system law in Iraq needs serious revision because it does not help the banking system to improve. The statement is also consistent with Al-Sabbagh and Molla (2003) who stated that regulation can influence the development of banking system in a great manner; especially if the banks want to shift from traditional banking service to an electronic banking service.

Only four bank managers (GOM4; PBM4; PBM5; PBM7) stated that current regulations are in favour of a sound banking system, but that the KR government is not fully independent. Most of the regulations are issued through the central government in Baghdad including banking system regulations, as can be seen in the following quote:

“We are in constantly trying to improve the banking system, but as we are not independent from the central government in Baghdad, we need their support as well [GOMF4].”

5.20 Service quality

In order to understand the quality of services provided by banks in the KR, interviewees were asked what kind of services they provide, how they deal with customer complaints

and what kinds of offers they make to their customers. To examine the quality of the services provided, each of them is discussed below.

5.20.1 Loans

The main function of banks is that they act as an intermediary between lenders and borrowers. Banks accept deposits from people who have surplus funds and use these funds to lend to people who are in need of money. Banks in the KR do not perform this task, as most of the bank managers [e.g. PBM5; SBM1; SBM3; SBM4] indicated that they do not lend to general customers, only to companies and businesses. This finding is consistent with Al-silefanee (2014) that banks in the KR have a limited role and are unable to offer many other services like loans. Only one bank manager said that they lend to businesses and regular customers as well. However, even in this instance, a loan may be given in the shape of a car loan (the bank sells the car to the customers on loan, then the customer resells the car in order to get some cash). In order to get a loan, banks ask their customers to pledge some form of collateral. For example, (PBM2; PBM4; SBM1; SBM5) confirmed that collateral is the basis for getting a loan in their banks. {PBM1} stated that:

We lend money on the basis of a guarantee by the borrowers which are mostly in the form of collateral. Customers can borrow 30 per cent of the amount of their collateral. For example, if someone has a house valued at 20000 dollars, he or she can get a loan of the maximum amount of 6000 dollars [PBM1].”

While collateral is traditionally viewed as a risk-reducing contractual feature (Booth and booth 2006), an efficient financial system must identify and discover productive opportunities which do not profoundly depend on collateral (Galindo and Micco 2004). It seems that one of the reasons that people are not interested in the banks in the KR is that the banks do not offer a collateral-free service in the granting of loans, nor do they offer other types of guarantees such as credit history or business reputation.

5.20.2 Offers

Offers and promotions are mechanisms that are very popular in the business and commerce world; promotions are useful to increase sales and yield benefits for the service provider. When asked about whether or not they have any kind of offers or promotions to their customers, all interviewees, except for one, said they do not offer any kind of offers

or promotions to their customers. Only one manager {PBM4} said that his bank has offers for its customers in the form of a lottery that gives customers a chance to win some money. Whilst banks in other countries, like the UK for example have many different offers to attract new customers. One example is when banks provide special offers when customers switch their banks. The lack of offers by the banks in the KR is an indication that banks in the KR do not put much effort to attract new customers. According to some managers like (SBM5; PBM3; PBM7), there are three types of people who usually open accounts in the KR banks:

- The first type is those who open a normal bank account to save their money and use the banking facilities, just like anywhere else in the world.
- The second type is contractors who need letters of credit (LC) or letters of guarantee (LG) so that they can continue their projects.
- The third type is those people who have been asked to open a bank because they need some banking services. For example, they open an account because they need a cheque. Once they have used this service, they close their account.

“People mostly open accounts for temporary purposes, for example when they need a letter of credit [PBM7].”

According to the above quote, it is clear that most of the people who open accounts are those who open accounts for a short period. Banks could retain these customers by offering them some promotions and offering them some attractive offers.

5.20.3 Complaints

Organisations pay significant attention to customer complaints because they believe that unsatisfied customers share their experiences with others (Buttle 2009). While literature suggests that complaint handling promotes trust (seegers 2016), improper or slow treatment of complaints might rationally be considered by customers as opportunistic conduct and as a result negatively affects trust (Ball et al. 2014; Ganesan, 1994) Banks in the KR do not seem to take customer complains seriously. When interviewees were asked how they handle customer complaints, most of them said that they deal with customer complaints inside banks but did not clearly mention how they handle it. Instead, banks seemed more inclined to blame customers, suggesting that their complaints are not appropriate due to their lack of banking awareness; this is reflected in the following quote:

“... in all situations, we try to work on their complaints if their complaints benefit our bank, and there are some complaints that are not appropriate because the customer does not have banking education and they need a lot of explanations [PBM4].”

On the other hand, managers also indicated that most of the complaints are about the quality of their services which can be handled only through the development of the entire banking system through an upgrade of the technologies used by the bank.

5.20.4 Using money abroad

Modern banks enable their customers to have access to their accounts when they are travelling internationally. When interviewees were asked whether or not their customers can use or withdraw their deposited money abroad, all of them said that it is not possible for their customers to use their money abroad as supported by the following quote:

“We do not have any links with banks abroad and we do not use the internet in our system, our customers cannot withdraw their money abroad [SBM1].”

This shows that the current banking system in the KR especially SOBs, that it is totally isolated from the outside world and it discourages people from using and trusting the banking system.

It seems that the overall banking system in the KR is very weak and, if banks want to attract more customers and reconcile inhabitants with the banking system, they need to develop their system and improve their services in a way that accommodates the needs of the population in the region.

5.21 Comparing the banking system in the KR with the rest of the world

There are obvious differences between the banking systems in the KR and the banking system in other countries, especially developed countries. In order to see that difference in bank managers' points of view, interviewees were asked how they compare the banking system in their region with the banking system around the world. All interviewees shared the opinion that there are numerous differences; the first difference which managers (e.g. GOMF1; PBM7; PBM6; SBM4) clearly indicated was the economic role of banks in the region. This can be evidenced in the following quote:

“There is a big difference - because if we look at banks in other countries, they perform a big role in the financial system but we cannot even talk about the role of our banks as they have not got any roles [PBM6].”

Interviewees mostly believed that banks in the KR and banks in developed countries are incomparable. Some managers indicated that the differences are like (the earth and the sky), which is an idiom used by Kurdish people to show that two things are incomparable. But when they asked how they compared the banking system in the KR with the banking sector in other parts of Iraq, they believed that the banking sector in the KR is far better than the banking system in the rest of the country. This view is supported by the following quote:

“... If I compare the banking system in the Kurdistan region with the rest of Iraq, I would say our system is better, but if I compare it with the rest of the world, I would say we are still so behind them [GOMF4].”

This finding is consistent with Al-Janabi's (2013) research which indicated that people can clearly see a big difference between the banking system in the KR and the banking system in the rest of the country. People also can see the differences between the KR and the rest of the country, mostly in terms of stability.

5.22 Geographic Distribution of Bank Branches

A bank branch is a place where customers can visit to do their banking. Even in the era of the internet and online banking, bank branches are still an important place to attract customers. This is more appropriate for KR banks as their only presence is through bank branches, because they do not have mobile or online banking systems. Interviewees were asked whether or not there were enough bank branches in the KR. Six out of sixteen respondents [e.g. GOMF4; PBM4; SBM7; SBM1] believed that there are enough bank branches for the current amount of bank customers. {GOMF3} believed that there are enough bank branches in the region but the efficiency of those branches is very weak. This is evident in the following quote:

“There are enough branches of the banks in most of the cities - that number of bank branches are enough for the current number of customers, but when the number of bank users increases, more bank branches should be open everywhere [PBM2].”

{GOMF2} indicated that there are 86 branches of SOBs in the region and he believes that this amount of bank branches is enough. It is an indicator that the number of bank users in the KR is very small because for a region of more than five million people, 86 branches will not be enough if the number of bank users are increased. {PBM4} believes that it is the current economic and political instability that allow this number of branches, but if the situation becomes more stable then more bank branches will be needed.

On another hand, interviewees like [GOMF3; PBM4; PBM6; SBM5] stated that there are not enough bank branches in the region, especially private bank branches. Private banks only target big cities and specifically commercial areas of big cities. PBM3 indicated that private banks not only ignored smaller towns but even in the major cities; they chose the commercial parts and ignored the other areas. This is evidenced in the following quote:

“... In the KR, the government tried to establish state-owned commercial banks in every town and city, but there is still a big problem which is that private banks only target the big cities and avoid opening branches in small towns or rural areas [GOMF3].”

Interviewees found that the geographic distribution of the bank branches has a positive impact on increasing the number of bank users. {PBM2} stated that the geographic distribution of bank branches is crucial for banks to attract new customers. For example, if there is no bank branch in one place, people are obliged to travel much further to access branch services and in this case, they would prefer to keep their money at home and do all their daily transactions in cash. In the KR most of the banks are concentrated in the big cities and only one branch exists in one town. In some places there are not any bank branches as indicated in the following quote:

“There is an unequal distribution of bank branches in the region, in a way that you can see a number of banks in some places and no banks in some other places which surely affects the customers [SBM1].”

To understand whether or not there are differences between the attitudes of people from urban cities with that of people from rural areas towards the banking system, most interviewees like [SBM2; SBM3; PBM2; PBM4; PBM5] mentioned that there is a difference between the banking awareness among people from urban areas and people from rural areas. In KR, the rural areas were deprived from bank branches until very recently, which affected their attitude and behaviour regarding the use of banks. {[PBM7}

stated that some people in rural areas do not know what a bank is. He also believes that their pocket is their bank. PBM2 {stated} that people in urban areas have more banking awareness than those in rural areas.

It seems that banks have a tough task when it comes to how to increase banking awareness amongst the population in rural areas where banks are rarely used due to the unavailability of bank branches in their areas.

5.23 Islamic Banking service

An Islamic banking service has developed quite considerably in the past two decades, as people in the KR are mostly Muslim (see 2.7). Interviewees were asked if they believe that an Islamic banking service would be more fitting for the population in that region. Fifteen out of sixteen interviewees including both bank managers and government officials stated that Islamic banking is more suitable for the people in the region than conventional banking, {GOMF2} mentioned that Islamic banking services are more suitable for the region since the majority of the population is Muslim. This can be demonstrated in the following quote:

“I think the Islamic banking system is more suitable for our community and in my opinion every bank should provide Islamic banking service alongside their conventional banking services [PBM1].”

Meanwhile, managers and bank managers like (PBM1; PBM2; PBM5; SBM1) mentioned that on many occasions people came to their bank and asked about whether or not they provided Islamic banking services. When it comes to the quality of Islamic banking services, some managers and government officials (e.g. GOMF3; PBM1; PBM6) believed that the quality of Islamic banking services is the same as the conventional banking services and they both are underdeveloped. When asked about the inhabitant’s awareness regarding the Islamic banking system, fourteen out of sixteen interviewed bank managers and governments thought that people in the region do not have any information about the Islamic banking system. This can be evidenced in the following quote:

“As the banking awareness is very weak in our region, it is the same for Islamic banking services as well; people do not have a clear vision about the Islamic banking system [PBM2].”

{SBM2} stated that even he, as a conventional bank manager, is not fully aware of the dealings and performance of Islamic banks. Moreover, {PBM6} clarified the reason for this by saying that:

“The Islamic banks are very weak in promoting themselves; it includes other banks as well, and our banks suffer from a lack of well-trained staff. So, I can say even some religious men do not understand the basic principles of the Islamic banking service [PBM6].”

This finding is consistent with (Okumus 2005; Khan et al. 2007) when indicated that the awareness of customers regarding Islamic banking is weak and they are only aware that Islamic banks refuse to take interest in their loans (Okumus 2005; Khan et al. 2007).

The same blame (that private banks only targeted major cities and ignore the towns and rural areas) goes to banks that provide Islamic banking services because they only opened branches in the big provinces, totally ignoring other towns forcing people to deal only with conventional banks, or not using banks at all. However, {SBM5} believed that Islamic banks could develop some of the lost trust as they were working according to Islamic values and the majority of the population are Muslim.

5.24 Privatisation

Privatising state-owned banks started when it was believed that state ownership of banks was linked with a low level of banking system efficiency. While many countries have actively promoted the privatisation of their banking system, in recent years, especially during the financial crisis in 2008, a number of banks have had to be rescued through nationalization. For example, the Government of Iceland nationalised its five major banks during 2008 and 2009 and the UK government nationalized Northern Rock bank in 2008 (Shen et al. 2014). In the KR there were no private banks until 2003 and after that, a number of private banks were established. The private banks are normally small and serve a specific area of the population. Interviewees were asked about their opinion regarding the privatisation of SOBs. Eight bank managers and government officials (e.g. GOMF4; PBM1; PBM4; SBM1) stated that it is better for SOBs to be privatised. {PBM7} believed that SOBs should have been privatized ten years ago. Similarly, {PBM6} stated that SOBs have two choices, whether they should be privatised or they should be closed. This can be demonstrated in the following quotes:

“Privatisation is something very popular in the world and even the government might like to privatise the banks and personally I think it is necessary [BBM1].”

And

“People still think that SOBs are more trustful just because they have the government behind them, while most of the banking crisis in the KR occurred because of SOBs [SBM5].”

GOMF4 also believes that if the political and economic situation of the region stabilises, the government might consider privatising SOBs. {PBM5} believed that only some of the SOBs should be privatised but it is necessary for the remaining SOBs to improve their services.

In contrast, five bank managers and government officials (e.g. GOMF3; PBM2; SBM2) did not agree with the privatisation of SOBs. {SBM4} stated that he does not agree with the privatisation of SOBs because they are necessary as evidenced in the following quote:

“I do not support privatisation of the state-owned banks, but I support developing them so that they could work according to international standards [GOMF3].”

According to most interviewees, it is better for SOBs to be privatized in order to have a role in the KR economy. This point of view is consistent with Nellis (1999) and Fries and Taci (2002) where they indicated that if privatization is implemented properly, it will enhance banking system activities.

5.25 Foreign banks entry

Foreign bank entry in many countries had an important effect on customer loan growth through more lending methods than domestic banks. To understand the opinion of bank managers and government officials, interviewees were asked their opinion about the entrance of foreign banks into the region. All the managers and government officials supported foreign bank entry into the region because:

“... It is a qualitative extension into the banking service in the region. We always say that foreign banks are more developed and I would like them to enter the region. They will broaden the competition and, in this case, we should improve our services to compete with them [PBM4].”

Interviewees justified their support of foreign bank entry by saying that foreign banks consolidate the KR banking system through strengthening the competition and forcing the local banks to improve themselves and their services.

5.25.1 Links with banks abroad

As it was mentioned before, one of the disadvantages of the current banking system in the KR is that local banks do not have any links with banks abroad. This will change with the entrance of foreign banks, for example {PBM7 and SBM7} believe that the entrance of foreign banks is a very promising thing, as it will connect our financial system with those all over the world {SBM1):

“Entrance of foreign banks is a very promising thing, as it will connect our financial system with all over the world [SBM1].”

SBM5 pointed out that:

“... Iraqi and Kurdistan banks are isolated from the international financial system. So, the operation of the banking system in the country is limited, but this limitation can be changed through the entrance of foreign banks [SBM5].”

This belief is consistent with Levine (1997) who indicated that foreign bank entry will help the host country have access to the global financial market.

5.25.2 Bringing capital

While banks in the KR have already suffered from the lack of sufficient capital especially during the last four years, foreign banks can bring expertise and capital with them and use that capital inside the region, as mentioned in the following quote:

“I think the entrance of foreign banks is a very good thing because one of our banks' problems is low capital and I believe that foreign banks can come with a bigger capital [PBM6].”

5.25.3 Better services

Interviewees (e.g. PBM1; PBM7; GOMF2; GOMF3) thought that foreign banks would bring the latest banking technologies with them like ATMs, internet banking and mobile

banking, which then forces the domestic banks to adopt those new technologies so that they can compete with them and survive in the market. This can be evidenced in the following quotes:

“... The entry of foreign banks into the region would lead to the development of the banking system as they will arouse competition among the banks [SBM2].”

And

“Foreign banks will be able to bring an international network of services into the country supported by the latest technologies which help to broaden the banking services and also force the local banks to adopt such innovations [SBM5].”

It seems that the entry of foreign banks into KR might gradually encourage people to open bank accounts, especially when bank managers and government officials believe that those foreign banks will support the development of banking services. By doing so, they will force domestic banks to improve their services.

Despite the fact that all interviewees supported foreign bank entry into the region, some banks managers and government officials were concerned that those foreign banks might enter the country only for-profit purposes without any intention to contribute to the economic growth of the country.

On another hand, interviewees were asked about whether or not the legal framework motivates the entry of foreign banks. All the interviewees thought that the current legal framework encourages foreign bank entry and there is room for many foreign banks to enter the region. They did, however, criticise the few existent foreign banks that they felt were only involved in businesses and companies and totally ignored the individual customers.

5.24 Factors affecting potential customers

To understand the factors that affect people's intentions towards using banks, interviewees mostly viewed religion and trust as the main factors that affect people's perception and usage of banks. Some bank managers believed that educational background is one of the factors as {SBM5} indicated: the more educated people were, the more likely they were to deal with banks. Another factor is age; interviewees believed that the younger generation would be more inclined to use banks. This is mostly because they have not experienced the destruction, bank looting and losses that previous generations have. Lastly, interviewees indicated that individual income also affects people's intention towards banks because when people do not have any extra savings, they do not think about going to banks.

5.25 Best Procedure

While most of the managers believed that the majority of people in the KR do not interact with the banks, interviewees were asked about the best procedure for banks to follow so that they could develop their trust among the population in the KR and reconcile with the people. The majority of the bank managers and government officials (e.g. GOMF2; GOMF3; PBM3; SBM1; SBM2) believe one of the most significant procedures for the banks to develop their trust is to solve their illiquidity problem, as demonstrated in the following quotes:

"... The financial crisis in the region should be solved so that the banks will not suffer from the lack of liquidity anymore... [PBM5]"

And

"One of the procedures is the availability of liquidity by the banks to their customers ... [SBM2]"

However, five bank managers and government officials highlighted the fact that any procedure depends mainly on the political situation in the KR. {GOMF4} thought that whenever the political situation stabilised, banks would gradually develop their trust among the people. Agreeing with this, {GOMF1} also believes that political and economic instability has hugely encouraged people not to trust the banks and keep their

money with themselves. {GOMF3} mentioned that whenever banks tried to reassure people that using banks is safe, political instability weakened their effort. All this can be demonstrated in the following quote:

“One of the procedures is outside the bank’s ability, as the political and economic instability of the country encourages people to keep their money at home and it is the government’s responsibility to create a stable political and economic environment in the region ... [GOMF1]”.

It is clear that political instability is affecting any procedures that banks follow to develop their trust amongst the population. Furthermore, (GOMF4; GOMF2; SBM4) thought that one of the best procedures for banks to develop their trust among people was through granting loans, as lending is one of the main functions of the banks. As discussed before, one of the reasons that discouraged people from dealing with banks is that they do not lend to the general public, only to companies and businesses.

Interviewees also stated some other procedures should be implemented. For example {GOMF3} stated that banks should do research and studies to determine their weaknesses so that they can implement measures to overcome them. {PBM2} believed that banks should establish a link with international banks to make it easier for people to transfer money abroad and vice versa.

5.3.6 Summary

The chapter presented the analysis of the qualitative data gathered through interviews with bank managers and government officials inside the ministry of finance. It focused on the banking awareness among the people in the KR and compared the Old and new banking systems of the KR followed by the role of investment and communication in developing the banking system. The chapter then moved to discuss the barriers that hindered the banking system in the KR such as religion, political instability, illiquidity issues, technologies and trust. The chapter found out that while all of those factors have affected the banking system in the KR, trust and religion are the most prominent factors, especially the lack of trust. As this study adopted thematic analyses, some of those topics were based on the literature review but while analysing the data, more new topics

appeared which had not been considered before the interviews. The chapter aimed at capturing the viewpoints of banks managers and government officials regarding the banking system in the KR to inform the creation of questionnaire questions (see table 7.1).

Based on the analysis of this chapter, a questionnaire was developed in order to capture the voice of the public and one of the best approaches to do that is through quantitative research which will be discussed in the next chapter.

Chapter Six: Quantitative Data Analysis

6. 1 Introduction

This chapter focuses on the analysis of the quantitative data collected via questionnaires to fulfil the fifth objective of this study which is to undertake primary research with all major stakeholders including government ministers, bank managers and potential bank customers in the KRG banking system. This chapter analyses the data from the consumer questionnaire, identifying the key factors which make the KR people reluctant to use their banking system.

Table (6.1) Respondent's Demographic Data Analysis			
Demographic Variables		Research Sample (n = 520)	
		Frequency	Percent %
Gender	Male	410	79.2
	Female	108	20.8
Age	18 – 24 years	61	11.8
	25 – 34 years	249	48.1
	35 – 44 years	134	25.9
	45 – 54 years	56	10.8
	55 – 64 years	17	3.3
	65 or over	1	0.2
Education	Elementary school	8	1.5
	Intermediate school	29	5.6
	Secondary school	52	10
	Diploma	116	22.4
	Bachelor degree	170	32.8
	Master degree	119	23
	PhD	18	3.5
	Others	6	1.2
Occupation	Student	60	11.6
	Private sector employee	40	7.7
	Public sector employee	268	51.7
	Self employed	107	20.7
	Retired	1	0.2
	Unemployment	27	5.2
	Other	15	2.9
Place of residence	Inside Iraq	456	88
	Outside Iraq	62	12

6. 2 Demographic descriptive

This section demonstrates the respondent's demographic information which is represented by age, gender, educational background, occupation and place of residence (table 6.1).

88.05% of participants were from inside Iraq and 11.95% were from outside Iraq. Figure (6-2) shows the current place of residence of participants. Table (6-2) indicates that participants who said that they are living outside Iraq were mostly from Europe, which accounted for 72.58%, while 6.45% said that they are from USA. A further 4.84% mentioned that they are from Arab countries, while 9.68% indicated that they come from the Middle East, and only 1.61% said that they were from South East Asia. Another 4.8% of participants chose "other" as their place of residence and specified that they were from the UK. This is accounted for under the category of Europe as well.

Table (6-2) Participants who live outside Iraq			
	Country	Respondents	%
1	Arab country	3	4.84%
2	USA	4	6.45%
3	Europe	45	72.58%
4	Others please specify	3	4.84%
5	South East Asia	1	1.61%
7	Middle east	6	9.68%
	Total	62	100.00%

To find out the relationship between the age of participants and the probability of having a bank account, a cross tabulation was run between the question (Do you have a bank account?) and the age groups (Table 6.3). The results show that there is a significant relationship between them as the (P value = 0.001). The results also show that the older the population, the more they tend to use banks. As can be seen in table 6.3, participants who have a bank account among age group (18-24) account for 16.39% and the ratio of people who have a bank account has risen among the age group (25-34) which is 44.76%

and 51.49% among the age group (35-44) and for age group (45-54) it is 53.57%. There is a significant difference for the age group (55-64) which is 64.71%, and only one participant (aged 65 or over) who said they do not have a bank account. The reason for this may be that the younger generation in the KR has never seen a sound banking system in the region as the banking system in the KR started to worsen after the gulf war in 1991; when those now aged between 18 and 34 were children. People in Iraq and the KR can start a job or have a bank account when they are 18 years old. This finding is also supported by the comments of the bank managers in chapter six (e.g. PBM1; PBM2; SBM2; GOMF2 and GOMF4) who said that the banking system before the war in 1991 was much better than the banking system after that period.

Table 6.3 Relationship between age and having a bank account								
		Age						
Have a bank account		18-24	25-34	35-44	45-54	55-64	65 or over	Total
	Yes	10 16.39%	111 44.76%	69 51.49%	30 53.57%	11 64.71%	0 0.001	231
	No	51 83.61%	137 55.24%	65 48.51%	26 46.43%	6 35.29%	1 100%	286
Total		61 100%	248 100%	134 100%	56 100%	17 100%	1 100%	517

To find out the relationship between the occupation of participants and having a bank account, and to test hypothesis 3, a cross-tabulation was run between them.

H_0 : There is not any relationship between occupation and having a bank account
 H_1 : There is a relationship between occupation and having a bank account

The data shows that there is a significant relationship between them as the (P-value = 0.001). as a result, null hypothesis will be rejected, as shown in table (6.4). This investigation demonstrated that private-sector employees tend to use banks the most, with 65% of them indicating that they have a bank account while 46.3% and 48.6% of public sector employees and the self-employed participants said they have a bank account

respectively. In addition, 37.3% of students have a bank account and only 14.8% of unemployed people have a bank account. Lastly, 20% of participants who said they have “other” as their occupation have a bank account. The coloured ratios in the table (6.4) indicated that the majority of the participants do not have bank accounts.

Table (6.4) What is your occupation? * do you have a bank account? Cross tabulation					Sig. (2 sided)
		Do you have a bank account?		Total	0.001
		Yes	No		
What is your occupation?	Student	22	37	59	
		37.3%	62.7%	100.0%	
	Private sector employee	26	14	40	
		65.0%	35.0%	100.0%	
	Public sector employee	124	144	268	
		46.3%	53.7%	100.0%	
	Self employed	52	55	107	
		48.6%	51.4%	100.0%	
	Other	3	12	15	
		20.0%	80.0%	100.0%	
	unemployed	4	23	27	
		14.8%	85.2%	100.0%	

To find out whether or not there is a significant relationship between the occupation of respondents and the type of bank they use, a cross-tabulation was run and the findings as shown in the table (6.5) indicate that there is a significant relationship between them as the (p value= 0.001). The table shows that private-sector employees tend to prefer private banks as only 15.4% of them have a state bank account. In the meantime, the table shows that public sector employees prefer to deal with state banks as 61.3% of public-sector employees said that their bank is a state-owned bank. But one reason behind that might

be the fact that state-owned organisations are not allowed to deal with private-bank accounts and only allowed to deal with state-owned banks, but private-sector employees are free to choose the type of their banks, and as the table indicates, most of them preferred to have private bank accounts. This finding is consistent with interviewed banks managers and government officials (e.g. SBM1, PBM7) and (Hall 2012) when they indicate that public sector organisations are not allowed to deal with private banks, only state banks. This finding indicates that if the customers were free to choose the type of their banks, they tend to choose private banks mostly. But, as the ratio coloured in the table (6.5) shows, the state banks hold the taste share of the banking market.

Table (5.5) Relationship between occupation of participants and type of banks they use								
what is your occupation			What type of bank do you use?					Total
			None-Islamic private bank	State bank	Islamic private bank	International private bank	I am not sure	
	Student		5	11	0	3	3	22
			22.7%	50.0%	0.0%	13.6%	13.6%	100.0%
	Private sector employee		7	4	2	11	2	26
			26.9%	15.4%	7.7%	42.3%	7.7%	100.0%
	Public sector employee		15	76	8	20	5	124
			12.1%	61.3%	6.5%	16.1%	4.0%	100.0%
	Self employed		13	35	1	3	0	52
			25.0%	67.3%	1.9%	5.8%	0.0%	100.0%
	Other		2	0	0	0	1	3
			66.7%	0.0%	0.0%	0.0%	33.3%	100.0%
	Unemployed		1	1	0	1	1	4
			25.0%	25.0%	0.0%	25.0%	25.0%	100.0%
	Total			43	127	11	38	12

On another hand, to find out the relationship between the qualification of respondents and having a bank account and to test hypothesis 4, a cross-tabulation was run and the findings show that there is a significant relationship between them as the P-value = 0.001. As a result, the null hypothesis will be rejected.

H_0 : There is no relationship between having a bank account and qualification

H_1 : There is a relationship between having a bank account and qualification

This investigation demonstrated that the higher the qualification of the respondents, the more they tend to use banks. For instance, table (6.6) shows that the ratio of respondents who have a bank account among those with a primary school degree is 12.50%, while the ratio among people who have intermediate and secondary school degrees is 34.48% and 26.92% respectively. This ratio is 30.17% among respondents who have diplomas and rises to 44.12% for participants who have a bachelor's degree. It is 66.95% and 88.89% respectively for participants who hold Masters and PhD degrees. Among the participants who chose "other", only 16.67% had a bank account. This finding showed that people with higher qualifications in the KR tend to use banks more than those with lower qualifications. This finding can be used by banks to create appropriate marketing strategies to help attract new customers by ensuring trust between banks and the local population. The ratios coloured in the table (6.6) shows that the higher level of qualification (post-graduated) is associated with having a bank account.

Table 6.6 Relationship between having a bank account and qualification						
Qualification	Do you have a bank account					
	Yes		No		Total	
	Frequency	Percentage %	Frequency	Percentage %	Frequency	Percentage %
Elementary school	1	12.50	7	87.50	8	100
Intermediate school	10	34.48	19	65.52	29	100
Secondary school	14	26.92	38	73.08	52	100
Diploma	35	30.17	81	69.83	116	100
Bachelor degree	75	44.12	95	55.88	170	100
Masters degree	79	66.95	39	33.05	118	100
PhD	16	88.89	2	11.11	18	100
Others	1	16.67	5	83.33	6	100

6.3 The current Banking situation in the KR

This section highlights the current banking situation in the KR through the identification of respondents who have bank accounts, respondents who do not have bank accounts, and the reasons given for having or not having one. Regarding bank users, 44.7% of respondents said that they have a bank account, while 55.3% of respondents said that they do not have a bank account. The data shows that if participants who live outside of the country are excluded, the results changed dramatically as shown in table (6.7). To do that and to test hypothesis 5, a cross tabulation-between the question (Do you have a bank account?) and (Where do you live) was run, it showed that there was a significant relationship between them with the (P value= 0.001), as a result, the null hypothesis will be rejected.

H_0 : There is no relationship between having a bank account and a place of residence

H_1 : There is a relationship between having a bank account and a place of residence

This investigation as shown in table (6.7) demonstrates that 60.4% of participants inside the KR do not have a bank account, while 39.6% of participants have a bank account. This indicates that the majority of the population in the KR still does not have a bank account. The table also indicates that people from the KR are willing to deal with banks if there is a better banking system such as western-based banking system, which will be discussed later.

Table 6.7 Respondent's use of banks (place of residence)			Research sample (n=517)	Sig. (2-sided)
Do you have bank account	Inside Iraq		Outside Iraq	
	Frequency	Percentage %	Frequency	Percentage %
Yes	180	39.6	51	82.3
NO	275	60.4	57	17.7

The findings show that there is no significant relationship between gender and bank usage because when a cross-tabulation was produced, the P-value was 0.550.

Regarding the location of banks, as shown in figure (6.1), 70.8% of the respondents said that the closest bank to them is between 1-10 KM, while respondents who said they are far away 10-20 KM from the bank account for 10.8%. 8.3% of the respondents said the closest bank to them is more than 20 KM away and 10% said there are no bank branches where they live. This result confirms the statements of the interviewed banks managers and government officials⁹ (GOMF3; PBM4; PBM6; SBM5) that banks in the KR are concentrated in some places and absent in other places. In answer to the question regarding where the respondents live, the data shows that 43.8% live in cities while 46.9% live in towns, followed by 9.3% who live in the countryside. When a cross-tabulation was done between them, the data shows that there is a significant relationship between where one resides and the proximity of banks to them as the P-value is 0.001, which is smaller than 0.05. The cross-tabulation shows that the places with the least number of banks are countryside areas where 29% of the respondents said there are no bank branches where they live.

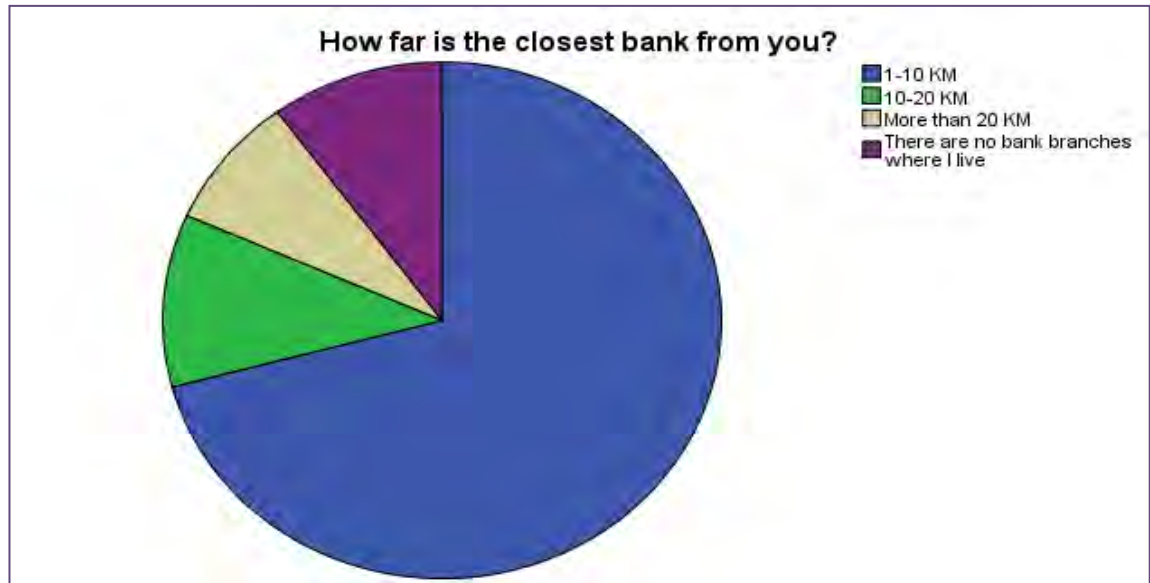


Figure 6.1 distance of the banks

To identify whether or not the existence of a bank branch has an influence on whether people open a bank account or not, and to test hypothesis 2, another cross-tabulation was run between the proximity of banks and having a bank account. As shown in table (6.8), there is a significant relationship between them as P-value (0.003) is smaller than 0.05. as a result, the null hypothesis was rejected.

H_0 : There is no relationship between having a bank account and closeness of a bank
 H_1 : There is a relationship between having a bank account and the closeness of bank

This investigation clearly shows that the further away the bank is, the fewer the number of people who have a bank account. Again, this reflects the views of the bank managers and Government Officials (PBM2; GOMF3) who stated that the geographic distribution of bank branches is crucial for banks to attract new customers. The ratios coloured indicate that the availability of bank branches have a significant impact on people to use banks.

Table (6.8) Cross-tabulation between having a bank account and closeness of banks						
How far is the closest bank from you?	Do you have a bank account?				Total	Asym.Sig. (2-sided)
	Yes		No			
	Frequency	Percentage%	Frequency	Percentage%		
1-10 km	179	48.9%	187	51.1	366	P value 0.003
10-20 km	25	44.6	31	55.4	56	
More than 20 km	15	34.9	28	65.1	43	
There are no bank branches where I live	12	23.1	40	76.9	52	
Total	231		286		517	

To compare the proximity of banks between respondents inside and outside Iraq, a cross-tabulation was run and the finding as shown in the table (6.9) indicate that there is not a significant relationship between them as the (p value=0.437). The difference is that banks outside Iraq provide a variety of services, which makes the distance from the banks less of a hindrance. This includes things like ATMs, the use of debit or credit cards at points of sale and the use of online accounts. But banks in the KR still do not offer such services.

Table (6.9) Cross-tabulation between the place of residence and proximity of banks						
How far is the closest bank from you?			Where do you live?		Total	Sig.
			Inside Iraq	Outside Iraq		
	1-10 KM		320	47	367	0.437
			70.2%	75.8%	70.8%	
	10-20 KM		48	8	56	
			10.5%	12.9%	10.8%	
	More than 20 KM		8.6%	6.5%	8.3%	
	There are no bank branches where I live		49	3	52	
			10.7%	4.8%	10.0%	
	Total		456	62	518	
		100.0%	100.0%	100.0%		

It seems that banks in the KR have not made enough of an effort to encourage people to use banks. This can be illustrated through the answers to the question (Have any banks contacted you to encourage you to open an account with them?), 90.5% of respondents said no, while only 9.5% said that banks have contacted them to encourage them to open an account with them. This finding suggests that the banks do very little to proactively attract new customers. This finding is consistent with the interviewed bank manager who indicated that their development plans depend on the government plan and the government is reluctant to develop the banking system. Furthermore, the KR banks reluctant to communicate with people efficiently can be one of the reasons that the trust in the KR banks is weak because as previous literature indicated (Ball et al. 2004; Doney and Cannon 1997), efficient communication with customers can help companies to improve trust.

To find out whether or not the participants who said that their bank contacted them to open a bank account with them and, would recommend their bank to their friends and families, a cross-tabulation was run between question (Have any banks contacted you to encourage you to open a bank account with them?) and (Will you recommend your bank to your friends and families?). The findings showed that there is a significant relationship between them as the (P-value = 0.03). 65% of respondents who had been contacted by banks to open a bank account, said that they would be likely to recommend their bank to friends and families and 21.5% said they may be willing. Only 13.5% said they would not recommend their bank to their friends and families.

The findings also show that 76% of the banks that contact participants to open an account with them are private banks, while only 25% are state-owned banks. This indicates that it is the state banks in particular who are least concerned with the number of customers they

have. This finding is consistent with the opinions of interviewed bank managers (e.g. PBM2; PBM5; PBM7) who blamed state-owned banks for doing nothing to establish a trusting relationship with the population.

To find out whether or not there is a significant relationship between the banks outside and inside Iraq when it comes to encouraging people to open accounts with them, the findings show that there is a significant relationship between them as evident in the table (6.44) in section 6.8

6.3.1 Loans

As identified in the first data collection phase with banks managers, most of the bank managers (e.g. PBM5, SBM1, SBM3 and SBM4) said that they only offer loans to companies and businesses and require a large amount of collateral from them in order to secure a loan from the bank. Reflecting this, the findings from the questionnaire survey indicate that only 9.65% of participants have asked for loans from banks while 90.35% have never asked for a loan from banks.

Regarding the participants who asked for a loan from banks, 64% of participants who said that they asked for a loan were granted one, while 36% who asked were refused. But the chance of getting a loan from banks for respondents who live outside Iraq is better as demonstrated by table (6.10). The respondents who said that they live outside Iraq have a 90% chance of getting a loan when they apply for it, while the chance of getting a loan inside Iraq is 57.50%. When asked why they asked for a loan, 50% of participants asked for a loan for business purposes while 32% required one for housing and 8% needed one for buying a car. Only 4% needed one for education, while 4% of participants applied for a loan for their daily expenses and 2% for the purpose of their health.

Table 6.10 granting loan regarding the current residence of participants	Was the loan granted?			Total
		Yes	No	
Where do you live?	Inside Iraq	23 57.50%	17 42.50%	40 100%
	Outside Iraq	9 90.00%	1 10.00%	10 100%

The findings show that banks are not the primary place for borrowing money by the people in the KR. Instead, 73.75% of respondents said that when they needed a loan, they asked for one from friends and family, while 24.71% said that they had never asked for a loan only 1.93% chose “other”. This finding is consistent with the literature review of KR banks and interviewed bank managers (see sections 2.2 and 5.5).

6.3.2 Cash based society

The findings show that current payment methods in the KR are mostly cash-based. Figure (6.2) below, shows that 68.73% of participants are paid their salary in cash while 27.79% said they are paid through banks (21.62% state banks, 4.05% private banks, 1.93% international banks and only 0.19% Islamic banks); 3.47% said “other”. Some participants indicated that it is their choice to be paid in cash. as it is evident through participants’ responses to the question (How would you like to be paid?). 36.87% prefer to be paid in cash while 61.39% of respondents prefer to be paid through banks (31.47% state banks, 21.04 private banks, 8.88% Islamic banks). Whereas 1.74% chose “other”, which indicates that they prefer to get paid through credit or debit cards.

When asked how they pay their bills, 95.95% said that they pay their bills in cash and only 2.12% said that they pay their bills by cheque, while 4.25% pay their bills through an electronic payment system. Those ratios were for all participants, but if participants currently living outside Iraq are excluded, the ratio of participants who said that they pay

their bills in cash rose to 98.03% supporting the concept of the KR as a cash-based society (Aseel and Bayoumy, 2012; Raheem 2016) and according to Stix (2013). Keeping cash at home is an indicator that trust in banks is lost.

To identify those respondents who said that they pay their bills by the electronic payment system, a cross-tabulation was run with the (P value= 0.001) which indicated that there is a significant relationship between them. The findings show that 86.36% of those who said that they pay their bills by electronic payment system were from outside Iraq, mostly from Europe and the USA. Also, 72.73% of participants who said that they pay their bills by cheque were from outside Iraq. This finding shows that if the KR population was exposed to a western-based banking system, they would be inclined to use banks. This would benefit the Iraqi economy as discussed in the final chapter.

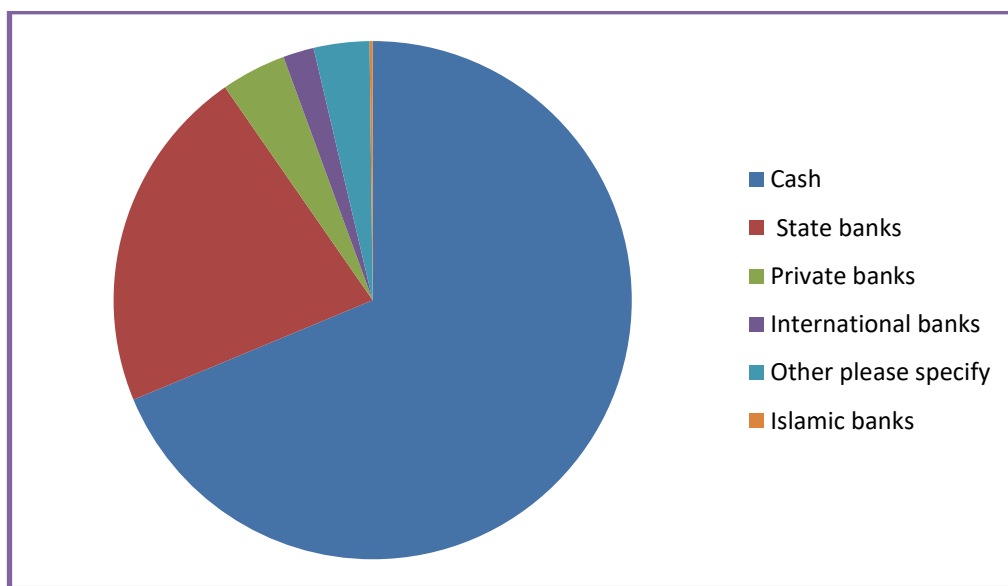


Figure 6.2 payment method

6.4 The impact of religion on banking practice

To find out whether or not religion had any effect on respondent's attitude towards the banking system in the KR, some questions were designed for that purpose

(e.g. Would you be prepared to receive interest on your savings? etc.). Some respondents indicated that religion had affected their decision regarding the use of banks. For instance, in reply to the question (Why don't you have a bank account?), one of the respondents indicated that there is a difference of opinion regarding whether or not using banks is Halal (allowed in Islam). On the other hand, in answer to the question (Would you be prepared to receive interest on your savings?), only 11.78% said yes, 71.43% said no, 13.90% said that they had not thought about that whereas 2.90% indicated that they were not sure.

As the bank managers and government officials had suggested, these respondents mostly tended to consider that using banks in general is not Halal. As shown in figure (6.3), only 17.1% of respondents agreed that it was a Halal practice to use banks and 7% strongly agreed. However, 35.8% disagreed, 12.8% strongly disagreed and 27.3% were neutral.

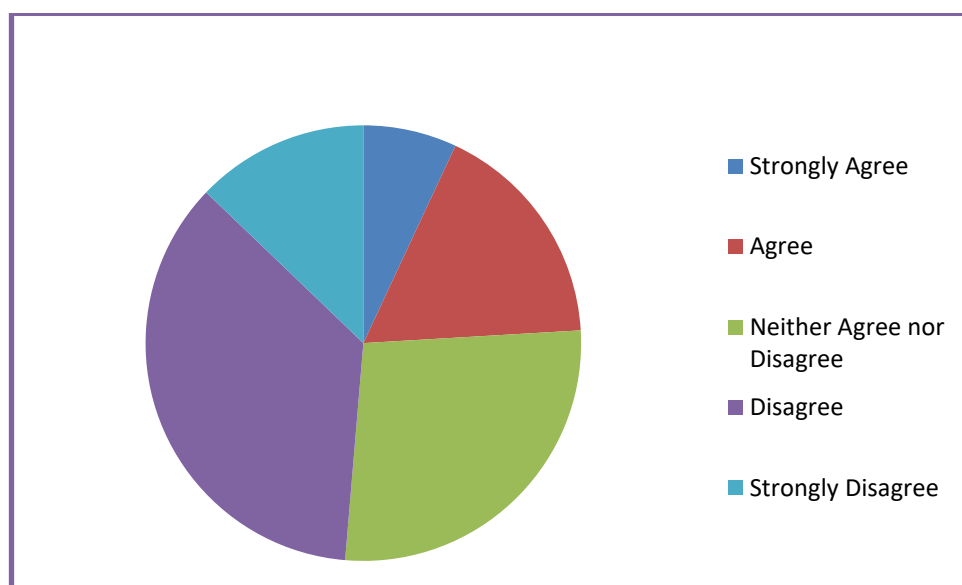


Figure 6.3 Using banks in general is Halal

To find out whether or not people in the KR believe that using Islamic banking services is Halal or not, another statement was designed (I believe that using Islamic banking

service is Halal). The results showed that respondents tended to agree as 46.6% agreed or strongly agreed while only 15.9% disagreed or strongly disagreed with 27.5% of respondents neither agreeing or disagreeing. The findings are consistent with the analysis of the bank managers' study (e.g. PBM6; PBM2; GOMF6) where they indicated that religion is one of the barriers preventing people from dealing with banks, as the majority of people of the region are Muslim. The finding is also consistent with Singh and Bradosti (2015) who stated that religion is one of the crucial obstacles preventing banking operations in the KR to develop. To find out whether or not there is a significant difference between respondents inside and outside Iraq regarding religion, a cross-tabulation was run and the findings as shown in the table (6.48) indicate that there is not any significant difference between them. This finding indicates that religion is one of the strong factors that affect the attitude of potential customers regarding using banks.

To find out whether or not participants have an interest in Islamic banking services and to find out to what extent they are aware of such services, the following question was posed: (Does your bank have Islamic banking services?). As shown in table (6-11), 42.24% said that they do not know whether or not their bank has an Islamic banking service. This finding indicates that the awareness of respondents is low regarding the Islamic banking services as they do not know whether or not their bank offers Islamic banking services, with only 15.95% responding yes and 41.81% responding no. However, this finding also shows that 41.81% of participants were aware that their banking service is not Islamic banking and they still chose to use it.

Table (6-11) Does your bank have Islamic banking services?			
	Answers	Responses	%
1	Yes	37	15.95%
2	No	97	41.81%
3	I don't know	98	42.24%
	Total	232	100.00%

This finding is consistent with the qualitative findings of this study, as most of the interviewed banks managers and government officials indicated that awareness regarding Islamic banking service is weak in the region. It is also consistent with (Okumus 2005; Khan et al. 2007) see (5.23).

6.5 Banking awareness

When asked how they would prefer to be paid, with five answer choices (Cash, state banks, private banks, Islamic banks, and other: Please specify), nine respondents chose “other” indicating that they prefer to be paid through an electronic payment system. This finding illustrates that some respondents did not understand that the electronic payment system is a service that is provided through banks. Respondent’s awareness regarding online banking services was very poor. The reason for this is most likely that banks in the KR do not offer online banking services to their customers, with the exception of Trade Bank of Iraq (TBI) and the few other banks which have ATMs (which can only be used by their employees).

In reply to the question (How much you know about online banking), as shown in figure (6.4), 48.07% of respondents said that they do not know anything about online banking service, while only 14.48% indicated that they know a lot about that. Meanwhile, 18.53%

indicated that they know “some” about that and 18.92% said that they know little about online banking services.

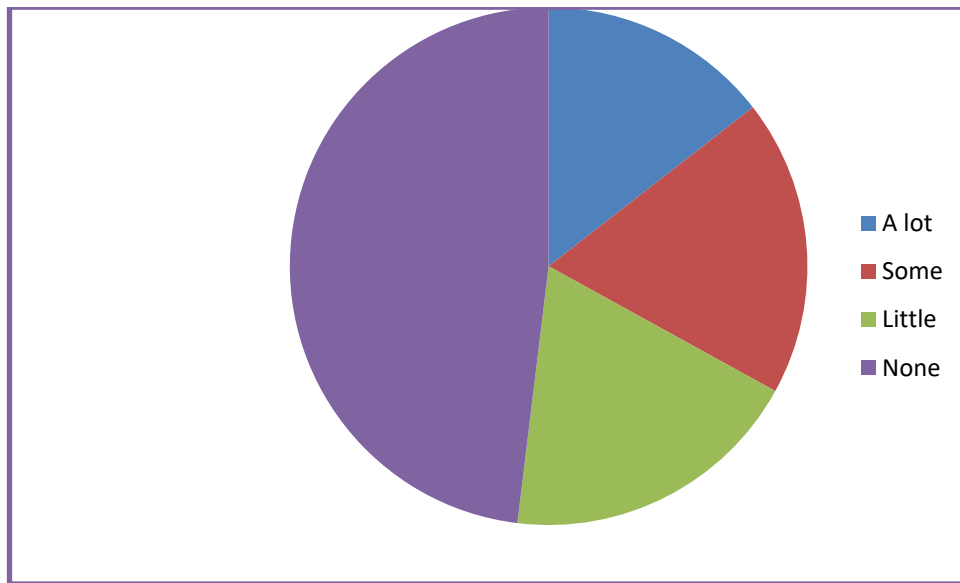


Figure (6.4) Knowledge of respondents regarding online banking

To find out whether or not Islamic banks could become an alternative for non-Islamic banks, a question was designed for that purpose (Do you have a clear idea about the differences between the Islamic banking system and the non-Islamic banking system?). The results showed that Islamic banks have not penetrated into the whole country but are concentrated in the big cities because the findings show that none of the respondents from the countryside areas have an Islamic banking account. Islamic banks have not introduced themselves clearly in the region, as 54.63% of respondents said that they do not have a clear idea about the differences between Islamic and non-Islamic banking services and only 45.37% responded yes. This finding supports the previous literature (e.g. Hassan and Lewis 2007; Husman 2015) that stated many people do not adequately understand the difference between Islamic and non-Islamic banking systems

To find out about the attitude and awareness regarding the banking system in the KR of the respondents, a number of statements were developed and the agreement to each

statement was measured by a five-point Likert scale. The arithmetic mean of the statement equals to 3. Where the mean is greater than 3, it indicates disagreement, and where a mean of less than 3, it indicates agreement with that statement. A five-point Likert scale was used in this study (strongly agree, agree, neither agree nor disagree, disagree, strongly disagree). For each construct, a frequency with (mode, standard deviation, mean), was used for each statement as shown in table (6.12). The coloured cells indicate agreement.

Table (6.12) five-point Likert Scale regarding banking system in the KR	Mode	SD	Mean
Banks play a big role in the economy	2	1.27	2.73
Banks provide a good service to their customers	4	1.6	3.27
Banks are working in favour of politicians	1	1.22	2.16
Banks put my interest first	4	1.6	3.86
Banks are necessary	2	1.00	1.97
International banks are safer than domestic banks	2	0.97	1.99
Using Islamic banking service is Halal	2	0.99	2.46
Using banks in general is Halal	4	1.11	3.30
Private banks are safer than state banks	3	1.03	2.87

Table (6.12) shows that respondents noticeably agreed that the banking system plays a big role in the economy as mean=2.73. This finding identifies a paradox that while most people are aware of the importance of the banking system in general due to the factors mentioned previously, they do not trust or use the current banking system in the KR.

Respondents strongly agreed that banks are necessary as the mean value for the statement (I think banks are necessary) equals to 1.97 and respondents also agreed that banks do not provide an acceptable level of service to their customers as the mean value of that statement equals to 3.27, which reflects most of the interviewed banks managers' view

that service quality of banks in the KR is very poor. This might be one of the reasons that most of the people in the KR do not use banks. But respondents from outside Iraq are generally happy with the service quality of their banks (see section 5.6).

Respondents also believed that international banks are safer than domestic banks as the mean value for the statement (I believe that international banks are safer than domestic banks) equals to 1.99 and respondents also slightly agreed that private banks are safer than public sector banks as the mean value for that statement (I think private banks are safer than domestic banks) equals to 2.87. However, the respondents also suggested that banks work primarily to the benefit of politicians, as the mean value for that statement equals to 2.16.

6.6 Banking culture

The finding of this research showed that 82.3% of the respondents who lived outside Iraq have a bank account; these were all people from the KR who are currently living abroad. This finding indicates that people from the same culture can change their views regarding the banking system when they are exposed to a better banking system. When respondents were asked (Do you trust the banking system in the country where you currently live?), 96.7% of respondents who live abroad said yes while no one said no, and only 3.3% said that they do not know. Furthermore, to find out the relationship between how much you know about the online banking and where you live, findings show that there is a significant relationship between them as the (P value= 0.001). The data shows that respondents who live outside Iraq have greater knowledge regarding online banking, while only 10.09% of respondents who live inside Iraq said that they know “A lot” about online banking services, while it is 46.77% for respondents living abroad. Respondents

who indicated that they know (None) about online banking inside Iraq account for 53.51% while it is only 8.05% for respondents who live abroad.

Meanwhile, the data shows that a participant's familiarity (inside Iraq) regarding electronic banking or online banking is very poor. It is an indication that the banking culture among the population of the region is poor as well, as only 39% of participants were familiar with internet banking services and only 13% were familiar with telephone banking, while only 13% of participants were familiar with mobile banking. Data also shows that the service which participants were more familiar with is ATMs. Of the 25% of respondents who chose "other" the ones who specified, indicated that they are not familiar with any of the above-mentioned services. Figure (6.5) shows the familiarity of participants with electronic banking services.

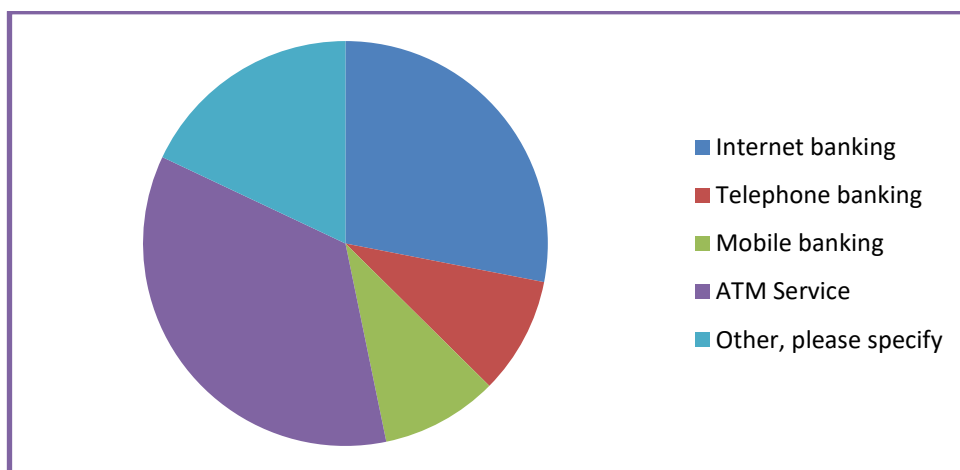


Figure 6.5 showing the familiarity of participants regarding electronic banking services. Additionally, the findings show that respondents from outside Iraq have a better knowledge of the online banking system. Table (6.13) shows that 46.8% of respondents from outside Iraq said that they know (a lot) about online banking and only 8.1% of them said that their knowledge about online banking is (None). This finding indicates that if banks in the KR apply an online banking system, people will adopt it gradually, as the same people, when they travelled abroad, gained familiarity with it.

Table (6.13) relationship between place of living and knowledge about online banking								
			How much you know about on-line banking?				Total	Sig.
			A Lot	Some	Little	None		
	Inside Iraq		46	78	88	244	456	0.001
			10.1%	17.1%	19.3%	53.5%	100.0 %	
	Outside Iraq		29	18	10	5	62	
			46.8%	29.0%	16.1%	8.1%	100.0 %	
Total			75	96	98	249	518	
			14.5%	18.5%	18.9%	48.1%	100.0 %	

In another question, to find out participants knowledge about online banking and its relationship with having or not having a bank account, a cross tabulation was run and the results showed that there is a significant relationship between them as the (P value= 0.001). As shown in table (6-14), 77.3% of respondents who said they know (a lot) about online banking had a bank account, while only 22.7% do not have a bank account. Table also shows that 60.4% of participants who said that they have (some) knowledge about online banking had a bank account, while 39.6% said they do not have a bank account. As was anticipated, the data also shows that knowledge about online banking becomes less when participants do not have bank accounts, 60.2% of participants who said they have (little) banking knowledge and 69.4% of participants who said their banking knowledge was (None) were among the respondents who said that they do not have a bank account.

Table (6-14) knowledge about online banking						Total	Sig. (2 sided)
How much you know about on-line banking?		A Lot	Some	Little	None		
Do you have a bank account?	yes	58	58	39	76	231	0.001
		77.3%	60.4%	39.8%	30.6%	44.7%	
	No	17	38	59	172	286	
		22.7%	39.6%	60.2%	69.4%	55.3%	
Total		75	96	98	248	517	
		100.0%	100.0%	100.0%	100.0%	100.0%	

Moreover, to find out the relationship between having a bank account and having any savings and to test the hypothesis 6, a cross tabulation was run. Table (6.15) shows that there is a significant relationship between them as the (P value=0.001), as a result the null hypothesis is rejected.

H_0 : There is no relationship between having a bank account and having saving

H_1 : There is a relationship between having a bank account and having saving

The data shows that participants who have savings tend to open a bank account more than participants who do not have any savings as 60% of respondents who have savings also have a bank account. While 40% of them do not have a bank account but 69.12% of respondents who do not have any savings also do not have a bank account while. Only 30.88% said that they do not have any savings but do have a bank account. Bank managers indicated that in state-owned banks, opening a bank account requires only 15000 Iraqi Dinars, which equals around (12 US dollars).

Table (6.15) relationship between having a bank account and having savings					
Do you have any savings?	Do you have a bank account?				Asym.Sig. (2-sided)
		Yes	No	Total	
	Yes	147 60%	98 40%	245 100%	0.001
	NO	84 30.88%	188 69.12%	272 100%	
	Total	231 44.68%	286 55.32%	517 100%	

Rather than saving in banks, the results showed that participants would prefer to keep their money at home, invest in jewellery or invest in real estate. As shown in figure (6.6), only 24% of participants said that they put their savings in banks while 24% said that they

invest it in gold or jewellery. 67% said that they keep their money at home, while 23% indicated that they use their savings to invest in real estate and only 2% chose other, indicating that they use it for commercial purposes. This finding is a clear indication that people look for somewhere to keep their savings and when they feel that banks are not a safe option for them, they choose other alternatives such as purchasing jewellery or keeping the money at home. Banks in the KR need to develop their trust among the public and by doing so they will become a primary choice for the public who would like to keep their savings safe.

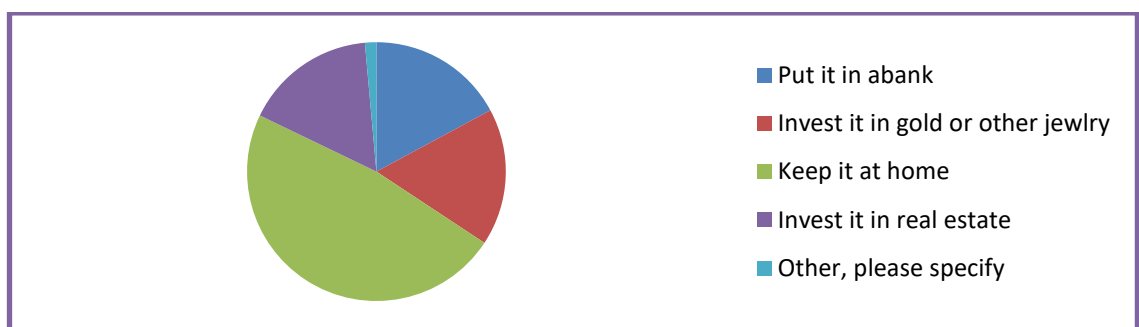


Figure (6.6) What participants do with their savings

By looking at participants who said that they live outside Iraq, the figure changes considerably, as 67% of respondents who live abroad said that they keep their savings in banks, 39% said that they keep their money at home and 25% said that they invest their savings in real estate. Only 14% said they invest in gold and jewellery. By comparing data from the figure (6.6) and (5.7), it is clear that people who live outside Iraq gained some trust in banking system in those countries and are ready to put their money in the banks there. The difference between respondents who put their money in banks inside and outside of Iraq is 24% and 67% respectively. The difference between participants who keep their money at home from outside and inside Iraq is 39% and 67%.

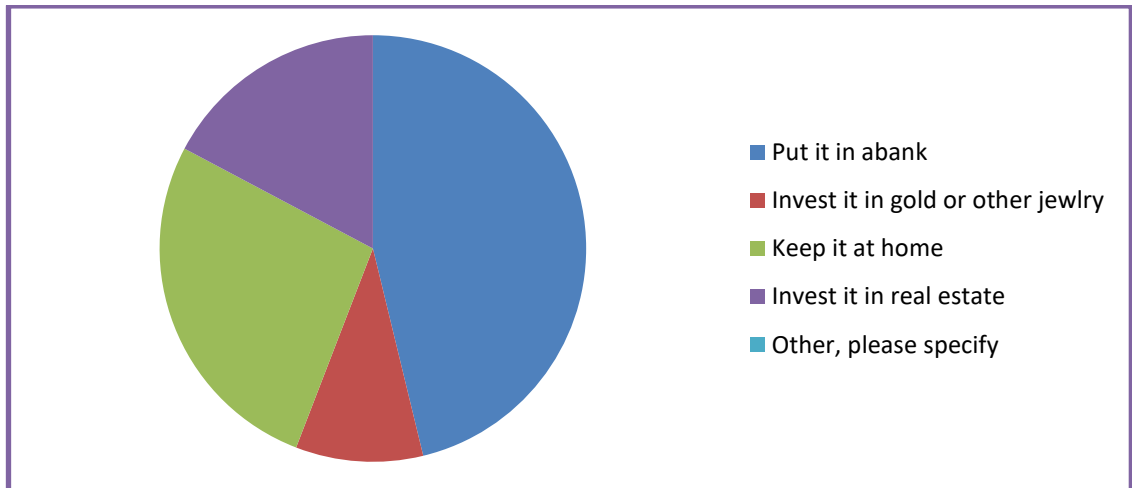


Figure (6.7) dealing with savings for participants who live outside Iraq

What is more, in a question to participants who do not have a bank account (why do you not have a bank account?), table 6-16 showed that 40.56% of participants said that the reason was that they do not trust the banks in the KR. This finding is consistent with what banks managers and government officials said when they indicated that banks have lost trust among the people in the region (see 5.17). It also supports the statement by (Al-Janabi 2013; Zebari 2013 and Raheem 2016) who stated that banks in Iraq and KR have lost their trust among the public. Interestingly, 17.83% of participants said that they do not need a bank account, which is a clear indication that people in the KR have low banking awareness and also an indication that banks have not promoted themselves among the public. Meanwhile, the Instability of the current political system in the KR is one of the main reasons that made people not have a bank account as 41.26% of respondents said that current political instability made them not use banks.

This finding is consistent with bank managers and government official's opinions, almost all of the interviewed bank managers and government officials mentioned that political instability is one of the reasons that people in the region do not trust or use banks. It is

also consistent with Gorton and Winton (1998) who stated that banking and instability seem inherently inter-twined.

Table (6-16) reasons for not having a bank account		
Reason	Respondents	%
I don't trust the banks	116	40.56%
I don't need a bank	51	17.83%
I don't know how banks work	39	13.64%
I don't have enough savings	111	38.81%
The bank service is very poor	73	25.52%
Because the current political situation is not stable	118	41.26%
I am afraid that other people might get access to information about my account	19	6.64%
There are not bank branches where I live	21	7.34%
others please specify	11	3.85%

In another question to participants who do not have a bank account, (Would you open a bank account if banks used electronic banking services?), (e.g. ATMs, online banking etc), 65.03% said yes and 10.49% said no while 24.48% said maybe, as illustrated in figure (6.8). This finding supports the comments of the bank managers and government officials who indicated that one of the reasons that people do not use banks is that banks are still using old banking methods and lack modern banking facilities. This finding is also consistent with banks managers and government officials who were interviewed (e.g. PBM1, PBM2, PBM7) who indicated that one of the weak characteristics of the banking system in the KR; is that it has not been updated and is still using an out dated banking system that has been in use for over 25 years. This is also consistent with Fernandes (et al. 2012), (see section 2.9).

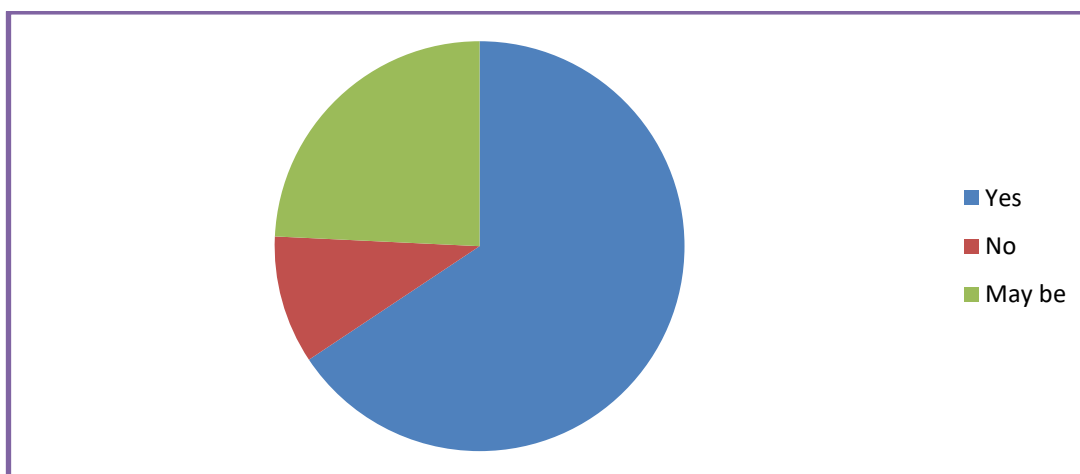


Figure 6.8 shows the participant's readiness to open a bank account if banks used electronic banking services

People usually open a bank account for a specific reason; therefore, a question was designed for participants who said that they have a bank account to find out the reason they opened their account. As table 6-17 shows, 48.71% of respondents opened a bank account because their organisation asked them to. This suggests that even though some people have a bank account. For some of them it was not their personal choice, but was a necessity so that they could receive a salary payment from their employer. 42.24% of respondents said that they opened a bank account because of their business needs, while only 29.74% said that the reason was to protect their money and 8.62% said that it was for social reasons. 7.33% chose "other" and most said that it was because they wanted to apply for a visa and needed a bank account because they do not accept cash. Only 4.74% said the reason for opening a bank account was to invest their money.

Table (6-17) primary reason for opening a bank account			
	Answers	Responses	%
1	My organisation asked me to	113	48.71%
2	To protect my money	69	29.74%
3	To invest my money	11	4.74%
4	Social Reasons	20	8.62%
5	Because of my business needs	98	42.24%
6	Other please specify	17	7.33%

Participants were asked to specify the reason for choosing their current bank, as shown in table (6-18) and 28.02% said that they chose their current bank because it was the only available bank in their area. 25.43% said that it was the closest bank to them; 32.76% mentioned that it was chosen by personal recommendation. However, 13.79% chose other and the most prevalent reason given was that it was specified for them by their employer. Some also indicated that they chose their bank because they believed that it would be a more trustworthy choice than others. These findings show that for some bank customers, it is not their choice but their employer's choice to open an account at a particular bank. The coloured ratio shows the significance of a personal recommendation. It means that banks need to improve their services and customer satisfaction if they want to attract new customers.

Table (6-18) reasons to choose current bank			
	Answers	Responses	%
1	Because it is the only bank available in my area	65	28.02%
2	Because it is the closest bank to me	59	25.43%
3	Personal recommendation	76	32.76%
4	Others, please specify	32	13.79%

The findings show that respondents who had a bank account are not daily or monthly bank users. Table 6-19 shows that 65.95% of respondents who have a bank account said that they visit their bank monthly, which indicates that they only go there to get their salary then do not go back till the next month's payday. 18.97% said that they visit their bank yearly indicating that some bank users only go to the bank when they forced to go. Others mentioned they opened banks because they needed a visa card to use in another country and needed a bank statement for that purpose. In some cases, government work

has to be paid by cheque, and, in this situation, participants indicated that they needed to open a bank account in order to use cheques.

Table (6-19) How often do you visit your bank?			
	Answers	Responses	%
1	Daily	9	3.88%
2	2-3 times a Week	8	3.45%
3	Once a Week	18	7.76%
4	Monthly	153	65.95%
4	Yearly	44	18.97%

To understand the degree of confidence bank users had in their banks, the question (Would you recommend your bank to your friends and families?), was posed. The findings as depicted in figure (6.9) indicate that only 38.36% said that they would recommend their banks to family and friends, while 36.21% said that they would not; 25.43% said they might. This finding clearly indicates that services offered through the banking system in the KR do not provide the right services, as only nearly one-third of participants would recommend their bank to others.

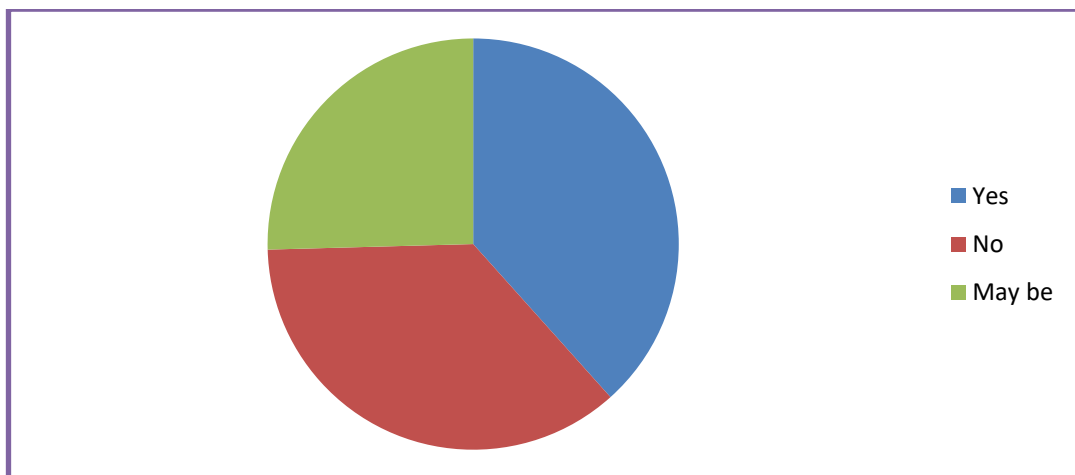


Figure (6.9) recommend your bank to friends and family

Respondents who have a bank account were asked how long have they been a customer with their bank, as shown in table (6-20); 13.36% said under one year while 46.98%

indicated that they have been a customer with their banks (between 1-4 years) and 29.31% said they are with their banks between (5-10 years) while only 10.34% said that they have been with their banks for over 10 years.

Table (6-20) How long have you been a customer with your bank			
	Answers	Responses	%
1	Under one year	31	13.36%
2	1-4 years	109	46.98%
3	5-10 years	68	29.31%
5	Over 10 years	24	10.34%
	Total	232	100.00%

Participants who have a bank account from both inside Iraq and outside Iraq were asked whether or not their banks have electronic banking services. A cross-tabulation was run to find out if there is a relationship between where one lives and the access, they have to electronic banking services. The data in the table (6-21) shows that there is a significant relationship between them as the (P-values = 0.001), the findings show that respondents who live outside Iraq have better access to electronic banking services than respondents who live inside Iraq. Only 21.7% of respondents inside Iraq said that their bank had electronic banking services, while 63.9 said their bank did not have electronic banking services.

Table (6-21) Relationship between the place of residence and access to an electronic banking system						
		Does your bank have electronic banking services?			Total	Sig (2-tailed) 0.001
		Yes	No	I do not know		
Where do you live?	Inside Iraq	39	115	26	180	
		21.7%	63.9%	14.4%	100.0%	
	Outside Iraq	37	11	3	51	
		72.5%	21.6%	5.9%	100.0%	

However, 72.5% of respondents who live outside Iraq have access to electronic banking services, while only 21.6% said that their bank does not have electronic banking services. This finding also indicates that banks inside the KR are underdeveloped because they do not offer electronic banking services.

Findings show that there is a significant relationship between the place of residence and whether or not bank users would recommend their current bank to friends or families as the (P-value =001). The data in table (6-22) shows that 68.6% of respondents from outside Iraq said that they would recommend their bank to their friends or families, while only 30% of respondents inside Iraq said that they would recommend their bank to friends or families.

Table (6-22) Relationship between the place of living and recommending banks to others						Sig (2-tailed)
		Would you recommend your bank to your friends and families?			Total	
		Yes	No	May be		
Where do you live?	Inside Iraq	54	75	51	180	0.001
		30.0%	41.7%	28.3%	100.0%	
	Outside Iraq	35	8	8	51	
		68.6%	15.7%	15.7%	100.0%	
Total		89	83	59	231	
		38.5%	35.9%	25.5%	100.0%	

Another indication that the banking system in the KR is not a developed system is shown in table (6-23); 78.02% of respondents who said that they have a bank account indicated that they visit the bank in person because they are unaware that there is any other option available. Only 4.31% said that they check their accounts over the phone. 13.79% said that the bank sends them a statement, while 18.10% said that they check their account

online (as some of the participants live abroad and they had the choice to check their accounts online). This finding is consistent with bank managers and government officials (e.g. SBM3 and GOMF3) who were interviewed and indicated that telephone and face to face communication is the only option for customers in many banks in the KR. This lack of efficient communication provided by KR banks can be one of the factors that led to people in the KR not use and trust banks as Ovia 2005 and Agbolade (2011) indicated that good communication increases the banks' efficiency and leads to attracting new customers and Ball et al. (2004) stated that efficient communication increases trust. These findings show that even though some people have a bank account, they are not active users, as some of them only visit their banks yearly. Since they are not regular users, the banks would benefit from the implementation of marketing strategies that would encourage more regular usage of the bank's services.

Table (6-23) account checking methods			
	Answers	Responses	%
1	Telephone	10	4.31%
2	In-Person	181	78.02%
3	Bank sends me a statement	32	13.79%
6	Online	42	18.10%

When respondents who have a bank account were asked (What type of banks do you use?) as shown in table (6-24), 18.53% said that their banks is a non-Islamic private bank; 55.17% mentioned that their banks are a state bank; 4.74% said that their bank was an Islamic private bank; 16.38% said that their bank was an international bank and 5.17% that they are not sure. This finding shows that in spite of the fact that respondents generally agreed that private banks and international banks are safer than state banks, more than half of the respondents still have a state-owned bank account. The reason for

this, as discussed in the literature review, is that state-owned employees must have their salaries paid into state-owned banks only.

Table (6-24) the type of banks used by the respondents			
	Answers	Responses	%
1	None-Islamic private bank	43	18.53%
2	State bank	128	55.17%
3	Islamic private bank	11	4.74%
4	International private bank	38	16.38%
5	I am not sure	12	5.17%
	Total	232	100.00%

32.39% of respondents said that they have, at some time in their life lived abroad, even though they are currently living in Iraq. These participants were then asked whether or not they had a bank account in those countries, 51.35% said yes while 48.65% said no.

To find out whether or not there is a significant relationship between the current place of residence and getting paid through banks, a cross-tabulation was run as shown in table (6-25). Findings show that there is a significant relationship between them as the (P value=0.03). The table shows that 64.7% of respondents who live outside Iraq are getting paid through banks account while 47.8% of respondents who live inside Iraq are getting paid through bank accounts.

Table (6-25) Relationship between where one lives and whether they are receiving a salary through their bank					Sig.(2 sided)
		Do you get paid through your bank?		Total	
		Yes	No		
Where do you live?	Inside Iraq	86	94	180	0.03
		47.8%	52.2%	100.0%	
	Outside Iraq	33	18	51	
		64.7%	35.3%	100.0%	

Table (6-26) shows that there is a strong relationship between whether one keeps or withdraws their salary from the bank in relation to their current place of residence. The table shows that the (P-value =0.001), which rejects the null hypothesis.

H_0 : There is no relationship between current place of residence and keeping or withdrawing salary

H_1 : There is a relationship between current place of residence and keeping or withdrawing salary

the findings show that 65.1% of participants who live inside Iraq said that they withdraw all their salary at once, while 30.2% said that they withdraw the amount which they need in that moment. For those who live outside Iraq, this is reversed; only 30.3% of participants who live outside Iraq said that they withdraw all their salary at once, 69.7% of them said that they only withdraw the amount which they need at that moment. These findings indicate how banking culture changes when people from the same background is exposed to a modern banking system.

Table (6-26) Relationship between where one lives and what they do with their salary.						Sig (2-tailed)
		Withdraw it all at once	Withdraw the amount which I need in the moment	Other please specify		
Where do you live?	Inside Iraq	56	26	4	86	0.001
		65.1%	30.2%	4.7%	100.0%	
	Outside Iraq	10	23	0	33	
		30.3%	69.7%	0.0%	100.0%	

Respondents who live abroad and have a bank account were asked whether or not they would put their money in banks in the KR. As shown in table (6-27), only 25.81% said yes, 41.94% said no and 25.81% of them were not sure, while 6.45% said they had not thought about it yet. These findings clearly indicate that only a quarter of Iraqis who live

abroad have trust in the banking system in the KR. Interestingly, this group of people trust the banking system of the countries where they live, but still their trust in the KR banking system is weak.

Table (6-27) readiness for respondents who live outside KR to put their money in a banks in the KR			
	Answers	Responses	%
1	Yes	16	25.81%
2	No	26	41.94%
3	Not sure	16	25.81%
4	Hadn't thought about it	4	6.45%
	Total	62	100.00%

Some participants said that the recent financial unrest in the KR had affected them or their family and friends. Table (6-28) shows that 18.11% of respondents stated that recent financial unrest in the KR affected them, while 21.00% said that their family members were affected. 38.92% indicated that their friends were affected while 25.05% said that they are not sure; only 23.12% said no. These findings show that there are still some factors that discourage the KR population from putting their money in banks.

Table (6-28) During recent financial unrest, have banks failed to repay?			
	Answers	Responses	%
4	You	94	18.11%
5	Family member	109	21.00%
6	Friends	202	38.92%
7	Not sure	130	25.05%
8	No	120	23.12%

6.7 Trust

To find out how respondent's feel about the banking system in the KR, as well as their level of awareness of it, a number of statements was developed for all participants and the results are demonstrated in the table (6-29).

Table (6-29) shows that there was significant agreement among respondents that there has been a loss of trust among the people in the KR as the mean for the statement (Banks have lost the trust among the people in the region) is 2.34. These findings confirm the comments of the bank managers and government officials interviewed (SBM1; SBM5, PBM2) in which they indicate that banks have lost trust among the people in the KR.

Another factor identified in table (6-29) is that respondents believe that it is not safe to keep their money in banks, as the mean value for that statement equals 3.48. These findings also show that people in the KR do not trust their banking system, as they are afraid to keep their money in banks. In addition, the response to another statement (Banks are honest), indicates a mean value for that statement of 3.39, which demonstrates that participants disagree strongly with the statement that banks are honest, affirming that they have lost their trust in banks.

Table (6-29) The mean and standard deviation of trust constructs					
Constructs	Mean	Sd.	T-test	Df	Sig. (2-tailed)
Banks have lost the trust among the people in the region	2.34	1.328	36.149	421	0.001
It is safe to keep my money in banks	3.48	1.221	57.982	413	0.001
Banks are honest	3.39	1.023	61.892	347	0.001
My money could be stolen if I put it in a bank	3.07	1.089	53.291	361	0.001
Privacy is guaranteed when using banks	3.07	1.093	53.935	368	0.001
People who work in banks are trustworthy	2.81	.949	57.248	347	0.001
Once I put my money in bank, there is no guarantee that I will get it back on demand	2.25	1.316	32.893	369	0.001

Participants agree strongly that there is no guarantee to get back their deposited money on-demand, as the mean value for that statement equals to 2.25. This finding is consistent with the views of the bank managers and government officials interviewed (e.g. PBM3; SBM1; SBM3; GOMF3). They mentioned that banks in the KR failed to repay their customers on demand on many occasions, especially the state banks. This finding indicates banks in the KR do not have one of the main elements of trust which is benevolence that is described by Doney and Cannon (1997). Whether or not participants believe that (People who work in banks are trustworthy), respondents slightly agreed to that statement, as the mean value equals to 2.81, indicating that participants do have some trust in the people who work in banks, but they do not trust the banking system.

6.7.1 The relationship between banks and trust

In order to determine the impact of a number of moderators on trust variables, two parametric tests were run through SPSS software (t-test and analyses of variance ANOVA). The t-test was used to compare one independent variable which has two levels

of different factors, ANOVA was used to compare one independent variable which has several levels. These parametric tests were used to identify the effect of closeness (how far is the nearest bank branch?), gender and age.

First, the one-way ANOVA test was used to find out the impact of closeness from banks on trust constructs; the closeness from banks variable was divided into four subgroups which are (1-10 KM, 10-20 KM, more than 20 KM, and (There are no bank branches where I live). A post hoc test was also used with ANOVA to find out which subgroups are statistically different from each other. Table (5-30) shows the mean (M) and standard deviation (S) and number of respondents (N) of each subgroup according to their closeness from banks. Table (5-31) shows the result of the ANOVA test for closeness from banks subgroups.

Table (6-30) Mean, standard deviation and number of the respondents of each groups according to their closeness to the banks												
Closeness from banks	1-10 KM			10-20 KM			More than 20KM			No bank branches		
Constructs	M	N	SD	M	N	SD	M	N	SD	M	N	SD
Banks have lost the trust	2.30	307	1.337	2.58	43	1.239	2.44	34	1.418	2.24	38	1.283
It is safe to keep my money in banks	3.53	301	1.212	3.74	43	1.242	3.38	32	1.385	3.58	38	1.056
Banks are honest	3.40	251	1.020	3.24	37	.983	3.11	27	1.188	3.76	33	.867
My money could be stolen if I put it in a bank	3.09	261	1.149	3.46	39	.884	2.70	27	1.068	2.83	35	.785
Privacy is guaranteed when using banks	3.06	267	1.105	2.78	40	1.000	3.08	26	1.129	3.44	36	.998
People who work in banks are trustworthy	2.76	274	.933	2.82	39	.885	2.96	25	1.207	3.00	37	.943
Once I put my money in bank, there is no guarantee that I will get it back on demand	2.20	270	1.345	2.53	36	1.158	2.37	27	1.305	2.24	37	1.256

Table (6-31) The one-way analysis of variance (ANOVA) results for respondent's proximity to a bank			
Constructs	Df	F	Sig.
Banks have lost the trust among the people in the region	421	.693	.557
It is safe to keep my money in banks	413	1.998	.114
I think that banks are honest	347	2.375	.070
I believe that my money could be stolen if I put it in a bank	361	3.304	.020
I think that privacy is guaranteed when using banks	368	2.416	.066
People who work in banks are trustworthy	374	.927	.428
I believe that once I put my money in bank, there is no guarantee that I will get it back on demand	369	.758	.518

The data in table (6-31) shows that there is no significant difference among the proximity to bank subgroups variables except for one subgroup which is (I believe that my money could be stolen if I put it in a bank). Therefore, a post hoc-test was run to find out the differences between subgroups for that construct. Table (6-32) shows the post-hoc test for differences between proximity subgroups and trust. The table shows that there is a significant difference between subgroups (10-20 KM) and more than 20 KM away. Respondents who lived more than 20 KM away agreed that their money could be stolen if they put it in a bank, while respondents who live closer to banks (between 10 -20 KM away) disagreed with that statement. These findings explain that people who live far away from banks believe that their money could be stolen if they put it into banks. The lack of banking awareness could be one reason for this.

Table (6-32) Post hoc for differences between closeness from banks subgroups and trust		
How far is the closest bank from you?	How far is the closest bank from you?	Sig.
1-10 Km	10-20 KM	NS
	More than 20 KM	NS
	There are no bank branches where are I live	NS
10-20KM	1-10 KM	NS
	More than 20 KM	.029
	There are no bank branches where are I live	NS
More than 20 KM	1-10 KM	NS
	10-20 KM	.029
	There are no bank branches where are I live	NS
There are no bank branches where I live	1-10 KM	NS
	10-20 KM	NS
	More than 20 KM	NS

6.7.2 Age and trust in banking system

The second variable which was considered to have an impact on the amount of trust people have in banks is age. The age moderator was split into six subgroups (18-24 years, 25-34 years, 35-44 years, 45-54 years 55-64 and 65 or over). Table 5-33 shows the mean (M), number of respondents (N) and standard deviation (SD) for each subgroup, while table (5-34) shows the ANOVA test for the age moderator.

Table (6-33) Mean, standard deviation and number of the respondents of each groups according to age subgroups								
In which age band are you?		Banks have lost the trust among the people in the region	It is safe to keep my money in banks	I think that banks are honest	my money could be stolen if I put it in a bank	privacy is guaranteed when using banks	People who in banks are trustworthy	Get my money back on demand
18-24	Mean	2.67	3.10	3.17	3.28	2.65	2.72	2.52
	N	42	40	30	32	34	32	33
	Std.	1.243	1.128	.834	.813	.734	.1.023	1.176
25-34	Mean	2.48	3.29	3.29	3.20	2.91	2.69	2.47
	N	188	188	150	158	161	167	161
	Std.	1.330	1.246	1.101	1.137	1.159	1.022	1.333
35-44	Mean	2.27	3.52	3.40	3.14	3.08	2.83	2.10
	N	119	114	100	101	103	104	105
	Std.	1.300	1.138	1.054	1.105	1.126	.830	1.232
45 - 54	Mean	1.82	4.15	3.80	2.57	3.64	3.06	1.77
	N	55	55	50	53	53	54	53
	Std.	1.249	1.008	.756	1.010	.787	.878	1.310
55-64	Mean	2.12	4.06	3.47	2.76	3.47	3.12	2.00
	N	17	16	17	17	17	17	17
	Std.	1.576	1.436	.874	1.033	.943	.857	1.500
65 or over	Mean	2.00	4.00	4.00	3.00	4.00	3.00	1.00
	N	1	1	1	1	1	1	1
	Std.

Table (6-34) The one-way analysis of variance (ANOVA) results for age subgroups			
Constructs	Df	F	Sig.
Banks have lost the trust among the people in the region	421	2.855	.015
It is safe to keep my money in banks	413	6.127	.001
I think that banks are honest	347	2.398	.042
I believe that my money could be stolen if I put it in a bank	361	3.335	.006
I think that privacy is guaranteed when using banks	368	5.504	.001
People who work in banks are trustworthy	374	1.661	.143
I believe that once I put my money in bank, there is no guarantee that I will get it back on demand	364	3.229	.007

As shown in table (6-34), there were significant differences among all age moderators and trust constructs except for one construct (People who work in banks are trustworthy) where there is no significant difference among age subgroups regarding that statement. Table 5-34 shows that while all age subgroups agreed with the statement that (Banks have lost trust among the people in the region). There is a significant difference among the subgroups though, as the P value = 0.015). Findings show that the older generation agreed more that banks have lost trust among the people in the region than the younger generation of (18-24) and (25-34) years old.

On another hand, there is a significant difference among the participants' age subgroups regarding the statement (It is safe to keep money in banks) as the P value = 0.001. The mean values for that statement indicate that, while all age subgroups do not agree that it is safe to keep their money in banks in the region, the older generation disagreed more than the younger generation. Regarding the statement (I think that banks are honest), there is a significant difference among participants subgroups as the P value= 0.042. The mean

value for that statement also shows that while all age subgroups agreed that banks are dishonest, the older generation agreed more than the younger generation.

Regarding the statement (I believe that my money could be stolen if I put it in a bank), the table shows that there is a significant relationship among the age subgroups regarding that statement as the P value= 0.006. The mean value indicates that the younger generation (18-24 years, 25-34 years, 35-44 years) did not agree that their money could be stolen if they put it in the banks, while the older generation (45-54 years, 55-64, 65 or over) agreed with that statement. This could be attributed to the fact that the older generation may have lost their money during periods of previous economic and political unrest, while the younger generation has not had that experience.

Lastly, the table shows that there is a significant difference among the age subgroups regarding the statement (I believe that once I put my money in a bank, there is no guarantee that I will get it back on demand) as the P-value =0.007. The mean value for that statement indicates that while all age subgroups agreed with that statement, respondents aged 35 or over agreed more with that statement than respondents aged 35 or younger.

The table indicates that for all trust constructs, the older respondents (35 or over) have a more negative attitude regarding trust in the banking system in the KR than the younger generation. The reason for this might be because the older generation may have heard of or experienced more seen or have had more negative experiences regarding trust in the banking system in the KR. This finding is consistent with Hofstede et al. (2001) when describing Iraqi culture as a short-term orientation culture, as the people inside this type of culture concentrate more on the present and past than on the future. The older

generation in the KR have experienced more bank lootings and as a result, have a more negative attitude regarding the banking system when it comes to trusting the banks.

6.7.3 Gender and trust in banking system

The third moderator which is considered as having an impact on trust constructs was gender. Independent-sample t-tests were conducted to compare gender subgroups and trust constructs as shown in table (6-35).

Table (6-35) T-test regarding gender and trust constructs					
Constructs	Gender	Mean	STD	T- vare	Sig (2- tailed
Banks have lost the trust among the people in the region	Male	2.39	1.348	1.592	.112
	Female	2.14	1.233		
It is safe to keep my money in banks	Male	3.42	1.235	-	.044
	Female	3.71	1.140	2.023	
I think that banks are honest	Male	3.37	1.047	-.697	.486
	Female	3.47	.935		
I believe that my money could be stolen if I put it in a bank	Male	3.12	1.114	1.610	.108
	Female	2.89	1.021		
I think that privacy is guaranteed when using banks	Male	3.00	1.094	-	.029
	Female	3.31	1.061	2.195	
People who work in banks are trustworthy	Male	2.77	.936	-	.204
	Female	2.93	.991	1.273	
I believe that once I put my money in bank, there is no guarantee that I will get it back on demand	Male	2.26	1.330	.256	.798
	Female	2.21	1.271		

Table (6-35) indicates that there is no significant difference between males and females when it comes to attitude regarding trust constructs, except for two constructs. The following statement: (I think that privacy is guaranteed when using banks) with a P-value = .029, and a mean value for that statement which indicates that females disagreed more than males and (It is safe to keep my money in banks) with a P-value = .044, and a mean value that shows that females disagreed more than males regarding that statement. According to the mean mid-point scale in the table (6.35), for the two significant

differences, neither males nor females are trustworthy, but females are more untrustworthy regarding the banking system in the KR.

6.7.4 Educational level and trust

The fourth moderator which is considered to have an impact on trust constructs is educational level. The educational level moderator was divided into seven educational subgroup levels (elementary school, intermediate school, secondary school, diploma, bachelor degree, master degree, PhD, and other, please specify) For analysis of educational level subgroups, ANOVA is most appropriate with a post hoc test. Table 5-36 indicates the mean value, a number of the participants (N) and the standard deviation (Std) of each educational level subgroups while table (6-37) illustrates the ANOVA results for educational level.

Based on ANOVA results as shown in table 5-37, there is a significant difference among educational level subgroups in only three trust constructs: (I think that banks are honest), (I think that privacy is guaranteed when using banks), and (People who work in banks are trustworthy) while there no significant difference among education level subgroups and other trust constructs. For that purpose, a post hoc test was run to find out the differences between educational subgroups and those three constructs as is shown in the table (6-40), (6-41) and (6-42).

Table (6-36) Mean, standard deviation and number of the respondents of each group according to age subgroups								
What is the highest education level you have achieved?		Banks have lost the trust among the people in the region	It is safe to keep my money in banks	I think that banks are honest	I believe that my money could be stolen if I put it in a bank	I think that privacy is guaranteed when using banks	People who work in banks are trustworthy	I believe that once I put my money in bank, there is no guarantee that I will get it back on demand
Elementary school	Mean	1.63	4.14	4.13	2.63	3.75	3.50	1.25
	N	8	7	8	8	8	8	8
	Std.	1.061	.378	.641	.518	.707	.756	.463
Intermediate school	Mean	2.53	3.53	4.00	3.06	3.33	3.11	2.63
	N	19	17	15	16	18	18	16
	Std.	1.611	1.179	.655	1.063	1.085	.963	1.628
Secondary school	Mean	2.25	3.83	3.64	3.00	3.38	3.03	2.25
	N	36	36	33	32	34	34	32
	Std.	1.317	1.028	.895	.984	.779	.937	1.566
Diploma	Mean	2.48	3.60	3.57	2.82	3.25	2.88	2.21
	N	90	88	68	74	75	77	75
	Std.	1.376	1.218	.967	1.102	1.001	1.013	1.318
Bachelor degree	Mean	2.40	3.35	3.27	3.13	2.89	2.71	2.48
	N	136	135	112	112	116	117	120
	Std.	1.384	1.301	1.123	1.179	1.193	.947	1.449
Master degree	Mean	2.24	3.47	3.26	3.28	2.96	2.76	1.99
	N	111	110	95	103	100	103	101
	Std.	1.252	1.209	1.002	1.042	1.091	.923	.975
PhD	Mean	2.22	3.06	2.86	2.86	3.00	2.47	2.33
	N	18	18	14	14	15	15	15
	Std. Deviation	.943	.998	.770	1.167	1.254	.516	1.234
Other, please specify	Mean	1.50	2.33	3.00	3.33	2.33	1.67	2.67
	N	4	3	3	3	3	3	3
	Std.	.577	1.528	1.000	1.155	.577	.577	1.155

Table (6-37) The one-way analysis of variance (ANOVA) for educational level moderator			
Constructs	df	F	Sig.
Banks have lost the trust among the people in the region	421	.914	.495
It is safe to keep my money in banks	413	1.795	.087
I think that banks are honest	347	3.106	.003
I believe that my money could be stolen if I put it in a bank	361	1.434	.191
I think that privacy is guaranteed when using banks	368	2.145	.039
People who work in banks are trustworthy	374	2.383	.022
I believe that once I put my money in bank, there is no guarantee that I will get it back on demand	369	2.008	.053

Table (6-37) indicates that there is no significant difference between educational level subgroups and the trust construct (Banks have lost trust among the people in the region), as all subgroups agreed that banks have lost trust among the people in the region. In addition, there was no significant difference between educational subgroups and trust construct (It is safe to keep my money in banks), as all educational level subgroups disagreed with that statement. Regarding the statement (I believe that my money could be stolen if I put it in a bank), there is no significant difference among the subgroups in spite of different educational levels (intermediate school, secondary school, bachelor degree, master degree and others), where there was a slight disagreement with the statement. While other levels (elementary school, diploma and PhD) were in slight agreement with the same statement. Regarding the statement (I believe that once I put my money in a bank, there is no guarantee that I will get it back on demand), there is no significant difference among them as the P value= .194, and all subgroups indicated that they agreed with that statement.

A post hoc test was run to show the difference between trusts constructs and educational level subgroups that had a significant difference with a P-value >0.05 . The first construct is (I think that banks are honest), post hoc test in the table (5-38) indicates that there is a difference between the attitude of elementary school, intermediate school and secondary school leavers with higher degree holders (bachelor degree, master degree and PhD). While all groups have a negative attitude regarding the honesty of the banking system in the region; the more educated the participants, the less negative a perception they had regarding the honesty of bank in the region. This finding is consistent with what banks managers and government officials stated when they indicated that the more educated people were, the more likely they were to deal with banks.

Table (6-38) Significant difference between educational level subgroup and (Banks are honest)								
Educational level	Elementary school	Intermediate school	Secondary school	Diploma	Bachelor degree	Master degree	PhD	Other
Elementary school					$p > 0.05$	$p > 0.05$	$p > 0.05$	
Intermediate school					$p > 0.05$	$p > 0.05$	$p > 0.05$	
Secondary school							$p > 0.05$	
Diploma					$p > 0.05$		$p > 0.05$	
Bachelor								
Master								
PHD								
Others								

The second construct is (I think that privacy is guaranteed when using banks). The post hoc test in the table (6-39) shows that there is a difference between the attitude of participants who have elementary and secondary school certificates and those who have a bachelor's and a master's degree with respect to opinions regarding the privacy provided by banks in the region. There is also a difference between diploma holders and participants who have a bachelor's degree. Bachelor's and Master's degree holders have

a slightly more positive attitude regarding the privacy provided by banks while elementary school and secondary school certificate holders have a more negative attitude. Diploma degree holders have a more negative perception regarding the privacy provided by the banking system in the region.

Table (6-39) Significant difference between educational level subgroup and (Privacy is guaranteed when using banks)								
Educational level	Elementary school	Intermediate school	Secondary school	Diploma	Bachelor degree	Master degree	PhD	Other
Elementary school					p> 0.05	p> 0.05		
Intermediate school								
Secondary school					p> 0.05	p> 0.05		
Diploma					p> 0.05			
Bachelor's								
Master's								
PHD								
Other								

The third trust construct in which educational level subgroups have a difference of opinion is whether (People who work in banks are trustworthy). The post hoc test in the table (6-40) indicates that there is a significant difference between the attitude of participants with elementary school education and those with a Bachelor's degree, Master's degree and a PhD. By looking at the mean mid-point scales in table 6.37, it is evident from the findings that participants with lower degrees (elementary school, intermediate school, secondary school) have a negative perception regarding the trustworthiness of people who work in banks, while participants from diploma degree and above have a positive perception regarding the trustworthy of the people who work in banks. Based on the above findings, banks need to use the positive attitude of higher degree holders to promote trust among the population.

Table (6-40) Significant difference between educational level subgroup and (People who work in banks are trustworthy)								
Educational level	Elementary school	Intermediate school	Secondary	Diploma	Bachelor degree	Master degree	PhD	Other
Elementary school					p> 0.05	p> 0.05	p> 0.05	p> 0.05
Intermediate school							p> 0.05	p> 0.05
Secondary school								p> 0.05
Diploma								p> 0.05
Bachelor's								
Master's								p> 0.05
PHD								
Other								

S=significant

6.7.5 Occupation

The fifth moderator that is considered to have an impact on trust constructs is occupation.

The occupation moderator was divided into seven occupation subgroups (student, private sector employee, public sector employee, self-employed, retired, other, and unemployed).

Table (6-41) indicates the mean value, a number of the participants (N) and standard deviation (STD) of each occupation subgroup, while table (6-42) illustrates the ANOVA results for the respondent's occupations.

There is a significant difference between the occupation subgroups and the trust construct (Banks have lost the trust among the people in the region). The findings in the table (6-41) indicate that all occupation subgroups agree that banks have lost trust among the people in the region with the exception of the (unemployed and retired) subgroups who

disagreed with that statement. The self-employed subgroups agreed strongly that banks have lost trust among the people in the region.

There is also a significant difference between the occupation subgroups and the trust construct (It is safe to keep my money in banks). The findings in the table (6-42) show that while all occupation subgroups disagreed that it is safe to keep their money in banks, the (retired and self-employed) subgroups expressed a strong disagreement with that statement.

There is also a significant difference between the occupation sub-groups and the trust construct (I think that banks are honest). The findings in the table (6-41) indicate that all subgroups expressed their disagreement regarding that statement while (self-employed and private sector employees) stated even stronger disagreement. Meanwhile, table (5-41) shows that there is a significant difference between occupation subgroups and the trust construct (I believe that my money could be stolen if I put it in a bank). The findings in Table 5-42, show that the (private sector employees and self-employed) subgroups agreed that their money could be stolen if they put it in banks, while the rest of the subgroups disagreed with that statement.

There is also a significant difference between the occupation subgroups and the trust construct (privacy is guaranteed when using banks). The findings in table (6-42) indicate that the private sector employee subgroups did not agree that privacy is guaranteed when using banks, while the rest of subgroups agreed with the statement.

Lastly, there is also a significant difference between the occupation subgroups and trust construct (Once I put my money in the bank, there is no guarantee that I will get it back on demand). The findings in the table (6-42) show that only unemployed subgroups disagreed with that statement while all other occupation subgroups agreed that once they

put their money in banks, there was no guarantee that they get it back on demand. The reason that unemployed respondents disagreed with that statement may be that the unemployed people did not have to deal with banks as much as the other subgroups.

Findings regarding the relationship between occupation and trust in this research indicate that while all occupation subgroups agreed that trust in the KR banks is damaged, some subgroups (unemployment, private sector employees and self-employed) agreed more strongly than the rest.

Table (6-41) The one-way analysis of variance (ANOVA) for occupation moderator			
Constructs	df	F	Sig
Banks have lost the trust among the people in the region	421	5.973	.001
It is safe to keep my money in banks	413	5.057	.001
I think that banks are honest	347	4.564	.001
I believe that my money could be stolen if I put it in a bank	361	3.588	.002
I think that privacy is guaranteed when using banks	368	5.950	.001
People who work in banks are trustworthy	374	2.083	.054
I believe that once I put my money in bank, there is no guarantee that I will get it back on demand	369	5.339	.001

Table (6-42) Mean, standard deviation and number of the respondents of each group according to occupation subgroups								
Occupation		Banks have lost the trust among the people in the region	It is safe to keep my money in banks	Banks are honest	My money could be stolen if I put it in a bank	I think that privacy is guaranteed when using banks	People who work in banks are trustworthy	There is no guarantee that I will get money back on demand
Student	Mean	2.64	3.02	3.00	3.32	2.74	2.76	2.57
	N	45	43	35	37	39	37	35
	Std.	1.209	1.225	.907	.973	.938	.925	1.243
Private sector Employee	Mean	2.27	3.24	3.54	2.67	3.04	2.69	2.36
	N	33	34	24	24	26	29	28
	Std.	1.329	1.437	1.215	.917	1.113	.967	1.339
Public sector Employee	Mean	2.43	3.37	3.28	3.22	2.90	2.70	2.32
	N	224	217	179	190	192	194	192
	Std.	1.328	1.172	1.012	1.164	1.121	.901	1.286
Self employed	Mean	1.72	4.04	3.78	2.72	3.63	3.09	1.70
	N	90	89	87	86	87	89	88
	Std.	1.161	1.127	.868	.929	.891	.949	1.243
Retired	Mean	4.00	4.00		5.00	2.00	2.00	5.00
	N	1	1		1	1	1	1
	Std.							
Other	Mean	2.77	3.62	3.00	3.09	3.18	3.00	2.46
	N	13	13	10	11	11	12	13
	Std.	1.363	.961	1.155	1.044	1.079	.739	.967
Unemployed	Mean	3.25	3.41	3.38	3.23	2.85	2.69	3.23
	N	16	17	13	13	13	13	13
	Std.	1.342	1.176	1.261	1.166	1.144	1.494	1.423

6.7.6 Having a bank account and trust

Another factor which might have an effect on trust is having or not having a bank account.

An independent sample t-test was conducted to compare whether or not having a bank account and the trust construct is related as shown in table (6-43).

Table (6-43) T-test regarding gender and trust constructs					
Constructs		Mean	STD	T- v ale	Sig (2- tailed
Banks have lost the trust among the people in the region	Yes	2.15	1.283	- 2.885	.004
	No	2.52	1.351		
It is safe to keep my money in banks	Yes	3.36	1.337	- 2.038	.042
	No	3.60	1.080		
I think that banks are honest	Yes	3.26	1.028	- 2.523	.012
	No	3.54	1.004		
I believe that my money could be stolen if I put it in a bank	Yes	3.09	1.131	.263	.793
	No	3.06	1.034		
I think that privacy is guaranteed when using banks	Yes	2.93	.969	- 2.520	.012
	No	3.22	.908		
People who work in banks are trustworthy	Yes	2.66	1.322	- 3.095	.002
	No	2.96	1.308		
I believe that once I put my money in bank, there is no guarantee that I will get it back on demand	Yes	2.15	1.330	- 1.354	.177
	No	2.34	1.271		

The data in the table (6-43) indicated that there is a significant relationship between having or not having a bank account and the trust construct (banks have lost the trust among the people in the region) as the P-value=0.004. The data shows that people who have a bank account tend to agree more that banks have lost trust among the people in the region than people who do not have a bank account. At the same time, there is a significant relationship between having or not having a bank account and the trust construct (It is safe to keep my money in banks) as the P-value= 0.042. The findings show that respondents who do not have a bank account tend to disagree more with this construct.

There is also a significant relationship between having or not having a bank account and the trust construct (I think banks are honest) as the P-value for that statement=0.012, whereas respondents who do not have a bank account tend to disagree more with that construct. There is also a significant relationship between having or not having a bank account and trust construct (I think that privacy is guaranteed when using banks) as the P value for that statement= 0.012, while respondents who have a bank account tend to slightly agree with that statement, while respondents who do not have a bank account tend to disagree with the same statement. Lastly, there is also a significant relationship between having and not having a bank account and trust construct (people who work in banks are trustworthy) as a P value for that statement = 0.002, where respondents who have a bank account tend to agree more with that statement than respondents who do not have a bank account. These findings illustrate that respondents who have bank accounts have more positive attitudes regarding the honesty and trustworthiness of banks than those whom do not have bank accounts. This finding is consistent with Egger (2003) who stated that unfamiliarity or lack of previous experience with the service provider will reduce trust.

6.8 Inside and outside Iraq

The previous sections in this chapter discussed some differences between the attitude of respondents from inside Iraq and respondents from outside Iraq towards their banking system. This section compares the remaining variables between respondents from inside Iraq and outside Iraq.

To find out the relationship between respondents inside and outside Iraq with regard to whether or not banks encouraged them to open a bank account with them, a cross-

tabulation was run and the findings show that there is a significant relationship between them as the P-value = 0.001. As seen in the table (6.44), only 7% of respondents from inside Iraq said that banks contacted them to encourage them to open a bank account with them, while 27.5% of respondents from outside Iraq said that banks contacted them to encourage them to open a bank account with them. This finding illustrates that banks in the KR have not exerted enough effort to encourage the people in the region to open bank accounts with them.

Table (6.44) A cross-tabulation between the banks from inside and outside Iraq regarding encouraging people to open bank accounts						
Where do you live?			Have any banks contacted you to encourage you to open an account with them?		Total	Sig.
			Yes	No		
	Inside Iraq		32	424	456	0.001
			7.0%	93.0%	100.0%	
	Outside Iraq		17	45	62	
			27.5%	72.6%	100.0%	
Total			49	469	518	
			9.5%	90.5%	100.0%	

In another question, respondents were asked (How are you paid?) and a cross-tabulation was run to find out if there is a significant relationship between respondents from inside and outside Iraq regarding the method of payment. The data as shown in the table (6.45) indicated that there is a significant relationship between them as the P- value= 0.001. The findings show that only 25.2% of respondents from inside Iraq said they are paid through banks, whereas 45.2% of respondents from outside Iraq said that they were paid through banks. This finding is consistent with the report by the U.S commercial service in 2012 which indicated that an employment salary in Iraq and the KR is cash-based, whereas most of the transactions are conducted outside banks.

Furthermore, to find out the respondents attitude regarding the banking system, the question (How would you like to be paid?) was posed and the data showed that there is a significant relationship between the respondents from inside and outside Iraq regarding their preferred method of payment as the P- value= 0.001, as shown in table (6.46).

Table (6.45) A cross- tabulation between the place of residence and method of payment							
			How are you paid?			Total	Sig.
			Cash	banks	Other please specify		
Where do you live?	Inside Iraq		323	116	17	456	0.001
			70.8%	25.5%	3.7%	100.0%	
	Outside Iraq		33	28	1	62	
			53.2%	45.2%	1.6%	100.0%	
Total			356	144	18	518	
			68.7%	21.6%	3.5%	100.0%	

The findings showed that respondents from inside Iraq tend to prefer cash for their payment as 40.1% of them said that they like to be paid in cash, while only 12.9% of respondents from outside Iraq said that they like to be paid in cash. This finding shows the differing attitude of people with regard to banking in different locations, especially when dealing with a different banking system. Respondents who live outside Iraq and enjoy the use of a developed banking system prefer to be paid through banks, while a significant percent of respondents inside Iraq prefer to be paid in cash. Weak banking awareness among the KR population could be a reason for this, as it was mentioned by most of the bank managers and government officials who were interviewed, and also confirmed by the analysis of this chapter.

Table (6.46) A cross tabulation between respondents from inside and outside Iraq regarding how they like to be paid									
Where do you live?		How would you like to be paid?						Total	Sig.
		Cash in hand	Through private banks	Through state banks	other please specify	Through Islamic banks			
	Inside Iraq	40.1%	18.0%	31.6%	2.0%	8.3%	100.0%	0.001	
		183	82	144	9	38	456		
	Outside Iraq	12.9%	43.5%	30.6%	0.0%	12.9%	100.0%		
		8	27	19	0	8	62		
Total		36.9%	21.0%	31.5%	1.7%	8.9%	100.0%		
		191	109	163	9	46	518		

The findings show that respondents from outside Iraq have a more positive attitude towards banks as shown in table (6.47). 49.2% of respondents from inside Iraq strongly agreed or just agreed that banks play a big role in the economy, whereas 75.4% of respondents from outside Iraq strongly agreed or just agreed that banks play a big role in the economy.

Table (6.47) Relationship between place of residence and respondent's viewpoint regarding banks									
Where do you live?			Banks play a big role in the economy					Total	Sig.
			Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree		
	Inside Iraq		64	147	66	106	46	429	0.001
			14.9%	34.3%	15.4%	24.7%	10.7%	100.0%	
	Outside Iraq		21	25	7	4	4	61	
			34.4%	41.0%	11.5%	6.6%	6.6%	100.0%	
Total			85	172	73	110	50	490	
			17.3%	35.1%	14.9%	22.4%	10.2%	100.0%	

In response to another statement (Banks provide good service to their customers), the findings show that there is a significant relationship between the perception between people inside and outside Iraq as the $P\text{-value}=0.001$. The findings show (see appendix 1) that 55.7% respondents who live outside Iraq expressed their agreement or strong agreement regarding that statement, while 51.1% of respondents who live inside Iraq expressed their disagreement or strong disagreement regarding the same statement. This is a clear indication that banks in the KR do not provide satisfactory service to their customers. This finding is consistent with (Jawad 2014) who mentions that the banking system in Iraq and the KR is very weak due to the lack of know-how and modern banking practices. This finding also supports the beliefs of interviewed banks managers and government officials like (SBM1 GOMF3; PBM1; PBM6) who indicate that the quality of banking services in the KR is weak and needs improvement.

In another statement (Banks have lost the trust among the people in the KR), findings show that there is not a significant difference between the beliefs of respondents from inside and outside Iraq as the $P\text{-value}=0.050$, as shown in the appendix (2). The findings show that respondents from both inside Iraq (64.2%) and outside Iraq (49%) agreed or strongly agreed that banks have lost the trust of people in the KR.

In order to find out whether or not there is a difference in the beliefs of respondents from inside Iraq and outside Iraq regarding the safety of banks, a cross-tabulation was run and the findings showed (see Appendix 3) that there is a significant difference among the beliefs of respondents from inside and outside Iraq regarding the statement (It is safe to keep my money in banks). The table in (Appendix 3) shows that respondents from outside Iraq mostly agreed or strongly agreed (51.9%) that it is safe to keep their money in banks while only (19.9%) of respondents inside Iraq agreed or strongly agreed that it is safe to

keep their money in banks and most of them (62.4%) disagreed or strongly disagreed to that statement.

The findings also show that there is a significant difference between the respondents inside and outside Iraq regarding their opinion about the safety of banks. A cross-tabulation was run between the question (Where do you live?) and the statement (I think that banks are honest) and the findings show that there is a significant difference between them as the $P\text{-value}=0.001$. According to the findings (see appendix 4), 48.9% of respondents from outside Iraq agreed or strongly agreed that banks are honest while only 18.7% of respondents from inside Iraq agreed or strongly agreed that banks are honest. 59.4% of them disagreed or strongly disagreed that banks are honest and only 25% of respondents outside Iraq disagreed or strongly disagreed that banks are honest. This finding is another indication that the banks in the KR have lost trust among the population. Respondents from inside Iraq and outside Iraq differ in their opinion regarding privacy in banks. A cross-tabulation was run between the question (Where do you live?) and the statement (I think that privacy is guaranteed when using banks) and the findings show that there is a significant difference among them as the $P\text{-value}= 0.001$, as illustrated in the table in (Appendix 5). The respondents inside Iraq tend to disagree with that statement as 46.1% of them disagreed or strongly disagreed that privacy is guaranteed when using banks, while only 15.2% of respondents from outside Iraq disagreed or strongly disagreed with that statement. 65.2% of respondents from outside Iraq believed that privacy is guaranteed when using banks.

Both respondents from inside Iraq and outside Iraq agreed that banks are necessary and there is not a significant difference between them as the $P\text{-value}= 0.05$, (as shown in appendix 6). The findings also show that there is not a significant difference between the

opinions of respondents from inside and outside Iraq regarding Islamic banks. When a cross-tabulation was run between the questions (Where do you live?) and the statement (Islamic banks are safer than non-Islamic banks), the findings show that there is not a significant difference as the P-value= 0.389, (as illustrated in Appendix 7). The findings indicate that the majority of both respondents from inside and outside Iraq agree or strongly agree with that statement (52% of respondents from inside Iraq and 44.9% of respondents from outside Iraq).

The findings show that there is not a significant difference between the respondents inside and outside Iraq regarding the international and domestic banks (as shown in Appendix 8) where the P-value= 0.384. The findings show that respondents both inside and outside Iraq mostly agreed or strongly agreed that international banks are safer than domestic banks (76.6% from inside Iraq and 77.8% from outside Iraq). Only (9.2% of respondents inside Iraq and 6.6% from respondents outside Iraq disagreed or strongly disagreed that international banks are safer than domestic banks. To analyse the opinions of respondents inside and outside Iraq, with regard to private and state-owned banks, a cross-tabulation was run between the question (where do you live?) and the statement (I believe that Private banks are safer than state banks). The findings showed that there is not a significant difference between them as the P-value = 0.282, (as shown in Appendix 9). These findings show that the majority of respondents from both inside and outside Iraq believe that private banks are safer than state-owned banks.

To find out the difference between the beliefs of respondents from inside and outside Iraq regarding the concept of interest, a question (Would you be prepared to receive interest on your savings?) was posed and was cross-tabulated with the question (Where do you live?). The findings showed that there is not a significant difference between the beliefs

of respondents from inside and outside Iraq regarding interest taking as P-value= 0.484 as shown in table (6.48). As a result, the null hypothesis from hypothesis 7 is accepted.

H_0 : There is not any relationship between respondent's place of living and their opinion regarding interest taking

H_1 : There is a relationship between respondent's place of living and their opinion regarding interest taking

The findings showed that the majority of respondents from both inside and outside Iraq said that they are not prepared to receive interest on their savings (71.3% of respondents from inside Iraq and 72.6% from respondents from outside Iraq) said no to that question. It also shows the fact that religion is one of the strongest factors that affects potential customers regarding using banks.

table (6.48) respondent's place of living and their opinion regarding interest taking								
Where do you live?			Would you be prepared to receive interest on your savings?				Total	Sig.
			Yes	No	I have not thought about that	Not sure		
	Inside Iraq		51	325	66	14	456	.484
			11.2%	71.3%	14.5%	3.1%	100.0%	
	Outside Iraq		10	45	6	1	62	
			16.1%	72.6%	9.7%	1.6%	100.0%	
Total			61	370	72	15	518	
			11.8%	71.4%	13.9%	2.9%	100.0%	

The quantitative analysis in previous sections (see 6.4) and qualitative analysis of interviewed banks managers and government officials (e.g. PBM2; PBM6) indicated that the respondent's awareness regarding the Islamic banking system is weak. To find out the difference between the awareness of respondents from inside and outside Iraq regarding the Islamic banking system, a cross-tabulation was run between the question (where do

you live?) and the question (do you have a clear idea about the differences between the Islamic banking system and the non-Islamic banking system?) and the findings show that there is not a significant difference between them as P-value= 0.435, The findings in the table (6.49) show that 55.3% of respondents from inside Iraq and 50% of respondents from outside Iraq said that they do not have a clear idea about the differences between the Islamic banking system and the non-Islamic banking system. This finding is a clear indication that Islamic banks have not introduced themselves well to the population. This finding also supports the statement by (Okumus 2005, Khan et al. 2007, and Ashraf et al. 2015) who indicated awareness regarding Islamic banks is weak.

table (6.49) Respondent's place of living and their knowledge regarding the Islamic banking system						
Where do you live?			Having a clear idea about the differences between the Islamic banking system and the non-Islamic banking system		Total	Sig.
			Yes	No		
	Inside Iraq		204	252	456	0.435
			44.7%	55.3%	100.0%	
	Outside Iraq		31	31	62	
			50.0%	50.0%	100.0%	
Total			235	283	518	
			45.4%	54.6%	100.0%	

Meanwhile, the findings showed that there is a significant difference between the opinion of respondents from inside and outside Iraq regarding the service of their banks as P-value= 0.001 for the cross-tabulation between the question (where do you live?) and the statement (my bank answers to my needs quickly) as shown in (Appendix 10). The findings showed that 80.4% of respondents from outside Iraq agreed or strongly agreed

with that statement, while only 47.7% of respondents from inside Iraq agreed or strongly agreed with the same statement. This finding is consistent with the interviewed banks managers and government officials, they indicated that the service quality of banks in the KR is weak and needs improving see section (5.20).

To find out the difference between the respondents from inside and outside Iraq regarding their satisfaction with the services of their banks, a cross-tabulation was run between the question (where do you live?) and the statement (Overall, I am very satisfied with the services of my bank) The findings show that there is a significant difference between them as the P-value= 0.001, (as shown in appendix 11). Respondents outside Iraq mostly agreed with that statement as 71.1% of them agreed or strongly agreed while only 33.3% of respondents from inside Iraq agreed or strongly agreed with that statement also (see section 4.20). There is a significant difference between the beliefs of respondents from inside and outside Iraq regarding the statement (I believe that my financial needs are handled appropriately by the bank) as the P-value = 0.001 (as shown in appendix 12). The findings showed that only 38.1% of respondents from inside Iraq agreed or strongly agreed that their financial needs are handled appropriately by banks, while 73.3% of respondents from outside Iraq agreed or strongly agreed with the same statement.

And lastly, the question (Do you trust the banking system in the country where you currently live?) was designed to find out whether or not the respondents from outside Iraq trust their banking system.

Table (6.50) The level of trust of respondents outside Iraq regarding their banking system				
Where do you live?	Do you trust the banking system in the country where you currently live?			Total
	Yes	No	I don't know	
Outside Iraq	60	0	2	62
	96.8%	0.00%	3.2%	100.0%

The findings as shown in table (6.50) demonstrate that 96.8% of respondents said that they trust the banking system in the country where they currently live. This finding is a clear indication that the trust level of the population changes towards the banking system if there is a stable economic and political system.

To test hypothesis 8, and to find out the relationship between the opinion of participants who have a bank account and those who do not have a bank account regarding the honesty of banks, a cross-tabulation was run, the data shows that there is no a significant relationship between them as the P-value = 0.117. As a result, the null hypothesis was accepted.

H_0 : There is not any relationship between having a bank account and opinion about the honesty of banks

H_1 : There is a relationship between having a bank account and opinion about the honesty of banks

The findings show that both of the participant groups do not believe that banks are honest.

Table (6.51) relationship between having a bank account and honesty of banks								Asym.Sig (2-sided)
		I think that banks are honest					Total	0.117
		Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree		
do you have a bank account?	yes	8	39	42	75	13	177	
	No	4	27	38	76	25	170	
Total		12	66	80	151	38	347	

Simultaneously, to find out the relationship between having a bank account and considering using banks is Halal or not, and to test hypothesis 9, a cross-tabulation was run and the data shows that there is a relationship between them as (P value= 0.030) as shown in table (6.52), as a result the null hypothesis is rejected.

H_0 : There is not any relationship between having a bank account and considering using banks as Halal

H_1 : There is a relationship between having a bank account and considering using banks as Halal

This investigation showed that people who do not have a bank account tend to disagree more with the statement that using banks in general is Halal.

Table (6.52) Relationship between having a bank account and considering using banks in general is Halal								Asym.Sig (2-sided)
		Using banks in general is Halal (Allowed in Islam)					Total	0.030
		Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree		
do you have a bank account?	yes	17	40	48	67	17	189	
	No	9	24	53	67	31	184	
Total		26	64	101	134	48	373	

6.9 Summary

This chapter focused on the analysis of quantitative data analysis, the chapter was designed in order to capture the opinions and beliefs of bank customers in the KR. The topics of this chapter are based on the literature review and the analysis of qualitative data with bank managers and government officials (chapter 2, 3 and 5). The chapter started by discussing the demographic variables and then moved to investigate the current banking situation in the KR, the findings in this section stated that the current banking system in the KR is inefficient and people mostly use cash for their daily transactions, it also found out that the banking system in the region failed to provide loans to their customers which led them unattractive among the population. Then it moved to investigate the role of religion in the banking system and found out this role is negative. Then it became an obstacle in front of banks to attract new customers. Banking awareness was also investigated and the finding suggested that banking awareness is weak. The KR has a different banking culture in a way that most of its population are not used to using banks. Variables that could affect the trust towards the banking system were discussed and findings showed that age, gender, education, occupation, having or not having a bank account has a significant effect on trust in the banking system. Lastly, the chapter focused on the different attitudes of people who live inside the KR and people who are from the KR but immigrated to outside of the country and experienced a Western-fashion banking system. The results clearly showed that the attitude of people towards banking systems can be changed when they encounter a different banking system.

The next chapter will discuss the results of this chapter, and the results of chapter four (qualitative data analysis) which were obtained through interviews with bank managers

and government officials, followed by the contribution, recommendation, limitation of this research with recommendations for future studies.

Chapter Seven: Discussion

7.1 Introduction

The KR is a part of Iraq with its local parliament and regional government, in this regard, any political and security instability and social unrest in Iraq has a direct effect on the KR. The country has undergone a number of crises in the last three decades and, is still suffering from security issues especially with the latest crisis that happened after the Islamic State of Iraq and Syria (ISIS) invaded some parts of the country. Because of the above reasons, Iraqi and the KR people have so far been deprived of the full benefits of up-to-date organisations and sectors, among them is the banking system which is characterised by being very undeveloped and insecure. As a result, people in the region have lost their trust towards the country's banking system and prefer to keep their savings at home. The absence of a sound banking system in the region, coupled with the absence of implementation of the latest technologies in banks and the lack of trust in the banking system, will require the need to re-evaluate the whole financial system to make it compliant with the requirements of the KR people. It is with these conditions that the current study has been carried out. The next chapter synthesises the results from Chapters 5 and 6 and the literature review to identify significant themes and their possible solutions. This thesis aims to establish how the Iraqi Kurdistan banking system can develop the trust of the public. To fulfil this aim, five objectives were established namely:

Firstly, the study critically reviewed all literature in relation to consumer use of and trusts within banking systems with specific reference to Iraq and the KR, countries in the Middle East and transition countries. Secondly, to develop a framework identifying those factors which inhibit and promote trust (see chapter 2). Thirdly, the nature of the existing financial / banking systems in Iraq and the Iraqi Kurdistan region (KR) were identified and evaluated through a critical review of existing literature review and collected data

analysis. Fourthly, any particular issues which prevent the Iraqi population from developing trust and so use of the banking system in the KR were evaluated (see chapter 5 and 6), and primary research was undertaken to identify from a variety of perspectives why the banking system is not trusted (see chapter 5 and 6). Lastly, the study developed recommendations of how the government and banks of KR could create trust in the banking system (chapter 5 and 6). From the beginning, sixteen bank managers and government officials were interviewed in order to explore the perception of banks managers and government officials regarding the current banking system in the KR and the factors that affected trust in the banking system. The main themes, related to the banking system in the KR such as banking awareness, the role of banks in the economy, investment. Besides these, the themes also included the barriers that made people not to use banks such as (religion, previous losses, political instability, illiquidity of banks and technologies). Based on the interview findings, and the literature review, a comprehensive questionnaire was developed in order to understand the banking system in the KR through the customers and non-customers perspectives and to compare the bank managers and government officials perspectives regarding the factors that made the people in the KR lose trust in the banking system in the KR as shown in the table (7.1)

Themes	Literature review	Small sample of Interviews extracts with bank managers and government officials	Questions and statement for the questionnaire
1-Religion	Singh and Bradosti (2015) showed that Islamic religion is one of the barriers that prevent banking operations in the KR to develop.	<i>Religion also is a barrier. Let me give you an example, I had an employee with a good university degree, so I put him in the deposit account unit in the bank. After 3 days of working there, he told me that he cannot work there anymore. When I asked why, he said because a religious man told him that even working in that unit is prohibited by his religion [PBM2</i>	1-Islamic banks are safer than non-Islamic banks 2-Using banks in general is Halal (allowed in Islam) 3-I believe that using Islamic banking service is Halal. 4-Would you be prepared to receive interest on your savings? 5-Do you have a clear idea about the difference between Islamic banking and non-Islamic banking system? 6-Does your bank have Islamic banking service? 7-What is the type of your bank?
2- Banking awareness	Promoting banking awareness is one of the procedures that banks can do in order to develop their trust among the Iraqi people (Al-Janabi 2013). While Islamic banking became popular in recent decades, previous studies	Eleven interviewees (e.g. GOMF1; GOMF4; SBM1) stated that banking awareness in the region is very weak. <i>Banking awareness is very weak as most of people do not use banks for their daily life; it needs an immense effort by the banks to</i>	1-Banks play a big role in the economy 2-International banks are safer than 3- How much you know about on-line banking? 4-Does your bank have Islamic banking service? 5-What is the type of your bank? 6- Also see question 13, some statement based on awareness.

	showed that awareness of customers regarding Islamic banking is weak and only aware that Islamic banks refuse to take interest on their loans (Okumus 2005; Khan et al. 2007).	<i>educate people about the banking services [PBM6]</i>	7-Do you have a bank account? 8-what was your primary reason for opening a bank account? 9-What was your reason to choose your current banks?
3-Culture	this distrust promoted a strong inclination for cash (Abdallah et al 2015). Also see (2.9.1)	<i>“The salaries of all employees should be paid through banks. We offered the government a proposal for that purpose but they did not agree to it [PBM7.]”</i>	1-When your salary has been paid, which of the following do you (see question No.32) 2- how do you pay your bills (see question No.5 3- how are you paid? 3-how would you like to be paid? 4- how often do you visit your bank? 5-how long have you been a customer with your banks? 6-Do you get paid through your bank? 7-have you ever lived outside Kurdistan Region? 8-did you have a bank account in that country?
4-loans	Whereas in Iraqi and the KR banks provided loans for government enterprises with limited lending to the private sector (Zulal 2012)	Customers can borrow 30 per cent of the amount of their collateral. For example, if someone has a house valued at 20000 dollars, he or she can get a loan of maximum amount of 6000 dollars [PBM1].”	1-Have you ever asked for a loan from the banks? 2- Was the loan granted? 3-Why did you apply for a loan? 4-Except banks, who did you ask for a loan?
5-Political interference	Cis not the main criteria for granting loans when people	security and political instability did not only result in the general public losing their trust	1-During the recent political unrest, some banks defaulted on payments to their

	ask for them instead, those whom loans should be given to is usually decided from the higher administration through the government which means that state banks give loans to whomever the ministry of finance tells them.	in the banking sector but it also made banks lose trust in the public. This is reflected in the banks need for significant guaranties in order to get loans, usually in the shape of collateral (PBM3 and PBM5)	customers, did this ever happen to (you, your family member, friends)? 2-Banks are working in favour of politicians.
6-Service quality and technology	both institutional image and trust are important instruments for financial service providers as they face new challenges, like increase of new technologies and the tough competition of using new channels for running businesses (Flavian et al. 2005).	All the interviewees felt that if banks adopted the latest technologies in their daily work, its inhabitants would be encouraged to open accounts in banks	1-which electronic banking services are you familiar with? (see question 16) 2-how much you know about online banking? 3-would you recommend your bank to your friends and family? 4- how do you check your account? 5- my bank answers to my needs quickly? 6-overall, I am very satisfied with the service of my bank? 7-how do you send to or receive money from Kurdistan region? 8-how do you send or receive money inside the country where you currently residence? 9-hove you bought goods or services using online using your credit or debit card?

7-Trust	trust and satisfaction are major factors that develop that relationship between sellers and buyers (Huang (2008)		1- Do you trust the banking system in the country where you currently live? 2- Are you ready to put your money in a bank in Kurdistan Region? 3- Please explain why wouldn't you put money in a bank in Kurdistan Region? 4- Banks lost the trust among the people in the region. 5- It's safe to keep my money in banks 6- I think that banks are honest
8- International banks	the foreign banks were able to provide better services because they had modern technical systems which the domestic banks were missing (Saunders and Walter 1991; Bonin et al. 1998).	<i>We always say that foreign banks are more developed and I would like them to enter the region. They will broaden the competition and, in this case, we should improve our services to compete with them [PBM4].</i>	1- International banks are safer than domestic banks (see question 13)

Table (7.1) themes that extracted from qualitative (interviews) that lead to constructing questionnaire questions

7.2 Discussion of research objectives

To understand the depth of the problem and to illustrate the current situation of the banking system in the KR, this section discusses the research objectives of this study and tries to find out whether or not those objectives were satisfied. Also, this section aims to identify the problem and the factors that made the people in KR not trust their banking system.

7.2.1 Objective One: Critically reviewing the relevant literature in relation to consumer use of and trust within banking systems with specific reference to Iraq and countries in the Middle East

The findings of this study showed that most of the Kurdish people prefer to keep their money at home instead of putting it in banks, because people in the region do not trust the banking system. There are a number of papers indicating that mistrust in the KR banking system dates back to the Gulf War in 1991, because the banking system before that date was trusted by most of the citizens in the country (Taylor 2003). This instability in the banking system has created a dominant public culture in society in a way that people still look at the banks conservatively and avoid dealing with cheques or other banking instruments (Abdallah et al. 2015). In the meantime, the bank's role in the economy was very low because the banks do not have a significant contribution to the economy. There are a number of barriers that promoted distrust towards the banking system, namely religion, banking awareness, low-quality banking services, political instability and culture. (chapters 2 and 3). Indeed, the banking system in the KR barely represented a financial system because the banking system in the KR was operating as part of state economic plans much like the banking system in the Former Soviet Union, and his role

as a financial intermediary is very limited (Zulal 2012). One of the most significant roles of banks is channelling funds from surplus funds to deficit funds, but in the KR it is difficult for people to borrow money from the banks as the collateral for loan guarantees are mostly in the form of real estate, and it is a prominent factor which impedes the development of banking sector. Because creditworthiness is not the main criteria for granting loans when people ask for them. Instead, those whom loans should be given to are usually decided from the higher administration through the government, which means that state banks give loans to whomever the ministry of finance tells them. By doing that, it questions the trustworthiness of the banking system (Myers 2011). The literature showed that individuals and institutions that have useful investment opportunities cannot benefit from the banks because banks in the KR cannot perform the role of directing funds to those individuals and institutions. As a result, it led to slow down the economic growth in the region (Mishkin 1999). Meanwhile, the study showed that the state-owned banks dominated the banking sector in the KR. This is another factor that caused the inefficiency of the banking system, as many studies (Nellis 1999, Omran 2007, Lin et al. 1998, and Frydman et al. 2000) showed that state-ownership was inefficient and suggest that moving from state to private ownership would lead to an increase in profitability of the privatised firms as private management is more concerned about profit maximisation compared to state-owned management and a better allocation of resources.

The literature also showed that religion is one of the main factors that prevented people from using banks in the region, because Muslim people have traditionally been against Riba (interest) throughout history. Islam prohibited interest on all kinds of loans, regardless of what purpose the loan is received for and at whatever interest rates. And the literature also demonstrated that Islamic banking could not fill this gap, because they

could not promote themselves among the population. Besides, this unawareness of the Islamic banking system is not related to the KR only, but in most of the countries, people still are not able to differentiate between Islamic and non-Islamic finance yet (Okumus 2005; Khan et al. 2007). The literature also showed that one of the obstacles that discouraged people from using banks in the KR is that they are very underdeveloped in a way that most of the banks in the region still use the old-fashioned system of banks which dated back centuries ago and have not invested in latest financial technologies. While today's business atmosphere is distinguished by its dynamic character and experiences due to technological changes and innovations (Reeves and Deimler 2011). The innovation in information and communication technology (e.g. ATMs, mobile banking, internet banking) has transformed the banking sector from an old-fashioned paper-based type of operations to a more modern, globally-connected technological operation that has great potential to increase efficiency (Ovia 2005).

The literature review chapter also showed that one of the factors that increased the widespread distrust between the people and the banks is that the KR region seized deposits in banks during the period of the financial crisis in 2015, which had a negative impact on the economy as well. The literature also showed that while the Central Bank lowered the reserve requirement by banks, it did not pave the way for the KR banks to start creating money, because the money in circulation outside banks is much greater than money that deposited in banks, 77% of the currency in circulation is outside the banking system.

7.2.2 Objective Two: To develop a framework identifying those factors which inhibit and promote trust.

There are several factors that inhibit and promote trust in the KR banking system. The findings showed that people do not put their money in banks because of the current political instability while another reason was that the bank service in the KR is so poor that people prefer to keep their money at home instead of putting it in the banks see table 6.16 and Zebari (2013). In the meantime, the findings showed that the further away the bank is, the fewer the number of people who have a bank account, (see table 6.8). This reflects the views of the bank managers and Government Officials (PBM2; GOMF3) who stated that the geographic distribution of bank branches is crucial for banks to attract new customers; this is a call for the banks to consider expanding their services to those places. On the contrary, the findings of this study showed that banks in the KR do not have any plans to improve their services. Most of the interviewed banks managers and government officials indicated that they do not have a clear plan on how to develop trust among the people in the KR. In particular, state-owned bank managers indicated that they cannot plan to develop their services, as they work under a centrally planned system and all plans are coming from the ministry of finance, they are just performing what the government tells them to do. Simultaneously, interviewees found that the geographic distribution of the bank branches has a positive impact on increasing the number of bank users. {PBM2} stated that the geographic distribution of bank branches is crucial for banks to attract new customers. In the KR most of the banks are concentrated in the big cities and only one branch exists in one town; 29% of the respondents said there are no bank branches where they live (see figure 6.1).

“There is an unequal distribution of bank branches in the region, in a way that you can see a number of banks in some places and no banks in some other places which surely affects the customers [SBM1]”.

Additionally, bank managers and government officials showed that another reason for not using banks is previous wars in the last four decades, such as the Iran-Iraq war in the 1980s, followed by the Gulf War in the 1990s, then by civil war. These events, made people lose their trust towards the banking system as most of the banks were looted during the wars, also (see Khalil 2016). This finding is consistent with Hofstede et al. (2001) who stated that negative previous experiences affect cultures with short term orientation such as the KR more than cultures with long term orientation.

7.2.3 Objective Three: Identify and evaluate the nature of the existing financial / banking system in Iraq and the Iraqi Kurdistan region (KR)

Based on the findings of this study the nature of the KR economy is cash-based. According to data analysis, only 24% of participants said that they put their savings in banks; moreover, the finding also showed that KR people prefer to be paid in cash. This finding is also supported by the qualitative data analysis with bank managers (e.g. PBM2; PBM3; SBM1; GOM1). While these findings support the literature that the KR is a cash-based society (see Aseel and Bayoumy, 2012; Raheem 2016). The results have shown that one of the reasons behind that is that people in the KR mostly do not trust the banking system; interviewed banks managers and government officials indicated that another reason is religion as most of the people in the KR are Muslims and they believe that using banks in general, is Haram (not allowed in Islam) see figure (6.3). As a result, religion promoted unfamiliarity among the population in the KR regarding their banking system and this unfamiliarity promotes mistrust (see Egger 2003). The findings showed that unfamiliarity among the people in the KR regarding the banking system is very clear in a way that some participants indicated that they do not need a bank, while some participants said that they do not know how banks work (see table 6.16). To support that, most of the interviewed bank managers indicated that people in the KR do not put their money in the banks because they do not have a banking culture, meaning that they have not dealt with

banks on a regular basis for example, daily or weekly ,or most of them have never had a bank account in their life.

People don't have a banking education. Even our merchants do not know what the bank is until they need money and come to the banks to get a loan. We need more banking awareness [PBM4].

Meanwhile, bank managers indicated that banking awareness is poor in the KR and if banks want to attract more customers, they need to introduce themselves and their services among the population, this finding supports Singh and Bradosti (2015), who stated that people in the KR do not use banks because they are not aware of the benefits that banks can provide. Bank managers believed that paying the salaries of employees through banks can increase banking awareness in the region. At present, only select employees with high salaries like ministers, top officials and university lecturers get their salaries paid through banks, while the rest of the employees are paid their wages in cash at their offices. This provokes another issue as (SBM3) indicated: due to the limited number of bank branches there would be long queues outside of each bank branch, suggesting that it would be very important for the banks to utilise the latest technologies like ATMs, visa cards and e-banking, where the need for physical content is greatly reduced. Another surprising finding is that bank managers showed that the banking system before the Gulf War in 1991 was more efficient than the current banking system, in that banks before 1991 had a very good connection with banks in other countries while currently banks are isolated from the outside world.

"We do not have any links with banks abroad and we do not use the internet in our system, our customers cannot withdraw their money abroad [SBM1]."

7.2.4 Objective Four: Undertake primary research to identify from a variety of perspectives why the banking system is not trusted

The finding of this research showed that banks in the KR have been working in a very traditional way, which means that they have not applied the latest banking technologies. On another side, banks in the KR do not consider themselves as an important participant in the economy of the region, they just work as a safe store to keep depositors' money, especially the state-owned banks. Findings of this study also showed that other steps for the banks in the KR to follow in order to attract new customers and make a good relationship with the public is that they need to improve their banking system especially to apply the latest banking technologies such as ATMs, internet banking and online banking into their services.

Meanwhile, the findings showed that 65.03% of respondents who said they do not have a bank are ready to open a bank account if the bank uses electronic banking, and most of the bank managers and government officials clearly indicated that adopting those new technologies encourage people to use banks more. As a result, develops trust among the banking system. While some researchers showed that trust in the traditional banking system is essential for trust in the electronic banking system (Chiou and Shen (2012)). This study found out that adopting electronic banking will encourage people who do not trust banks to establish some type of trust with traditional banking. It shows that the government needs to ensure that there is a reason for people to use banks, for example encouraging banks to depend more on electronic banking services and also enabling retail outlets to be able to accept electronic payments or Cash machines, it would motivate people to open accounts in banks.

Furthermore, the respondent's data analysis showed that customers who have bank accounts are not satisfied with the service provided by the KR banks, as only 30% of

respondents inside Iraq said that they would recommend their bank to friends or families, while 68.6% of respondents from outside Iraq said that they would recommend their bank to their friends or families. Furthermore, 78.02% of respondents who said that they have a bank account indicated that they visit the bank in person because there is no other option available.

Both interviewed bank managers and respondents to the questionnaire confirmed that banks failed to develop efficient communication with their customers (see table 5.23). It is worth mentioning that efficient communication with customers increases trust (Ovia 2005; Agbolade 2011; Ball et al. 2004). Furthermore, only four of the investigated banks had an email address for their customers, the rest only used telephone and direct contact (face-to-face) inside the banks. Furthermore, as discussed in the previous section, religion played a negative role when it comes to using banks. According to Egger (2003), one reason that people do not trust a service provider is that they are not familiar with the service or they do not have previous experience with the service provider. As most bank managers and respondents showed that religion is one of the main barriers that made people not use banks, it can be said that religion has a negative effect in developing trust in the KR banking system (see Singh and Bradosti 2015). The reason people think that it is against their religion to deal with banks is because of interest accruing on their deposits since Islamic principles rigidly prohibited it. While People have the option to open interest-free deposit accounts in the KR banks, managers showed that the lack of banking awareness among the KR population has misled people to think that dealing with banks is Haram (see section 2.7). For example, 71.43% of respondents showed that they are not ready to receive interest on their savings. Contrary to some previous research (Fungáčová et al. 2017; Guiso et al. 2004) who argued that religiosity leads to increase trust in the

banking sector, the finding of this study showed that religiosity decreased trust in the KR banks.

While most Muslim customers use Islamic banks for the reason that they believe that these banks are compliant with Islamic beliefs (Hassan and Lewis 2007), results of this research showed that Islamic banking awareness in the region is also very weak; see table (6.11). Islamic banks can contribute to reducing some of the people's concerns regarding this issue as 46.6% of respondents believed that using Islamic banking service is Halal. But as the awareness of the KR people regarding Islamic banking service is weak and due to other concerns that there is no difference between the Islamic banks and non-Islamic banks (Hassan and Lewis 2007; Chong and Liu 2009; Khan 2010; Husman 2015). The role of Islamic banks in reducing this concern will not be crucial, but they can contribute in a way or another in developing trust, as the majority of respondents believed that Islamic banks are safer than non-Islamic banks. Surprisingly, the findings showed that participants outside Iraq also agreed that Islamic banks are safer than non-Islamic banks since 52% of respondents from inside Iraq and 44.9% of respondents from outside Iraq believed that Islamic banks are safer than non-Islamic banks. One part of developing trust might be for the government to work with Islamic leaders to develop a better understanding of Islamic banking

The findings of this research also showed that Both components of trust (credibility and benevolences) as described by (Kantspurger and Kunz 2010) are missing in the KR banks, firstly they are missing benevolence because the majority of respondents indicated that banks in the KR are not truly interested in the welfare and benefits of their customers (see table 6.12), secondly, most interviewed bank managers stated that banks do not have the

required capability to carry out transactions in a reliable manner, and trust will be developed when one party feels that the other party has a true benevolence (Cremer 2015). Furthermore, bank managers showed that one of the reasons that people in the KR do not completely trust the banks is the lack of banking awareness within the population of KR. Their cultural attitude towards the banking and financial sector, is that some people do not believe in banks or are not aware about the benefits that banks provide (see Egger 2003). As a result, they prefer keeping their savings by themselves. The results of the data showed the necessity of promoting banking awareness among the population of the KR if banks want to attract more customers to use banks.

The investigation of past and present developments of the KR banking system in terms of its structure, functions, and difficulties demonstrated that the financial system in the KR is still limited in terms of its construction and performance; there is no observable development in the sector. Bank managers and government officials indicated that the banking system before the Gulf War in 1991 was a lot better than the current banking system in terms of construction and number of customers as well as bank's relations with outside of the country.

Bank managers also indicated that people not only do not trust the banking system in the region but also do not trust the government, people should first trust the government or the political system then they can, in turn, trust the banking system; for example, 41.26% of respondents mentioned that the reason that they do not have a bank account is that because they do not trust the current political system in the KR, GOMF1 supported that by indicating that people not only do not trust the banks, but they do not trust the government either. Moreover, this research showed that previous losses which people have experienced during the previous wars, and as most of the banks were looted or

destroyed during that wars, it became a strong barrier for banks to develop or grow their services especially when those wars have led people not to trust banks with their money, this made it difficult for banks to develop their trust among the population, clearly indicated by most interviewed bank managers such as (GOMF4; GOMF3; PBM5; SBM7; SBM4)

Regarding instability, Gorton and Winton (1998) stated that banking and instability seem inherently inter-twined, while Carletti and Hartmann (2003) stated that the banking system has a special status regarding instability, basically because instability affects banks more than any other business sector. Meanwhile, interviewed bank managers showed that security and political instability did not only result in the general public losing their trust in the banking sector but also made banks lose trust in the public. This is reflected in the banks' need for significant guaranties in order to get loans. In addition, SBM4 showed that many customers withdrew their money in the banks due to political instability, fear of losing it, and it caused other people not to trust the banks.

“... Banks in the region are prisoners of the total political situation. If the political situation was not unstable, banks would have developed trust automatically [PBM4]

While findings showed that the majority of respondents believed that banks have lost trust among the public, the older respondents (35 or over) have a more negative attitude regarding trust in the banking system in the KR than the younger generation. The reason for this might be because the older generation may have heard of or experienced more seen or have had more negative experiences regarding trust in the banking system in the KR.

Another finding of this study is that, while all educational groups have a negative attitude regarding the honesty of the banking system in the region, the more educated the

participants, the less negative perception they had regarding the honesty of banks in the region. This finding is consistent with what bank managers and government officials stated when they indicated that the more educated people were, the more likely they were to deal with banks.

These findings illustrate that respondents who have bank accounts have more positive attitudes regarding the honesty and trustworthiness of banks than those who do not have bank accounts. This finding is consistent with Egger (2003) who stated that unfamiliarity or lack of previous experience with the service provider will reduce trust.

Additionally, the findings of this study showed that there is a significant difference regarding the attitudes of respondents who live inside the KR and those who live abroad. While respondents who live abroad and respondents who live inside were raised in the same country and culture, the findings showed that their attitudes regarding the banking system changed dramatically when they moved abroad. For instance, as the table (6.7) showed, 82.3% of respondents from outside the KR have a bank account, while only 39.6% of respondents inside the KR have bank accounts. Through analysing the data from those respondents who live abroad with that inside the country, the findings showed that there is a significant difference between the banking system in the KR and banking system in developed countries; for instance, the respondents who said that they live outside Iraq have a 90% chance of getting a loan when they apply for it, while the chance of getting a loan inside Iraq is 57.50%. Meanwhile, 86.36% of those who said that they pay their bills by an electronic payment system were from outside the country, this indicates that banks in those countries made it easy for them to use the electronic banking systems. Respondents from outside showed that they are generally happy with the service provided by their banks, whereas respondents from inside the country showed that they are not

generally happy with their bank services. Familiarity regarding the online banking services is greater among the respondents outside (see table 6.13). In the meantime, 67% of respondents from outside Iraq keep their savings in banks, while only 24% of respondents inside Iraq said they keep their money in the banks, and 65.1% of participants who live inside Iraq said that they withdraw all their salary at once whereas it is only 30.3% for respondents outside the country,

Another finding of this study is that while people who live abroad established trust in the banking system of the countries where they live, only a quarter of them have trust in the banking system in the KR (see table 6.27). Again, 40.1% of respondents inside the country prefer to be paid in cash while only 12.9% of respondents from the outside prefer to be paid in cash (see table 6.46). There are more differences between the attitudes of respondents from inside and outside regarding banking system (see section 6.8). All these findings showed that people's behaviour towards trust can be changed easily if the antecedents of trust improve.

This study also found that there are three types of potential bank users (see table 6.16, 6.17 and 6.19) , those who have never used banks and see no reason to do so because the banks have failed to identify any facility which they perceive to be of use, or because they do not trust the banks. The second group are those who use banks, but only reluctantly because they either see no benefit from using banks in a western fashion and or have suffered financially from using banks. The final groups are those who have lived outside the KR and have had a good experience with western banks or educated and younger people who believe that it is safer to use banks instead of keeping it at home, and so they are potential positive users. Therefore, the loss of trust applies only to one group, but it is the largest one. So, if bank usage is to be increased each group would need to be

persuaded, albeit in different ways, of the benefits of using a reformed and innovative banking system, even though it is likely that benefit to one group may also be of benefit to another.

7.2.5 Objective Five: To develop recommendations for how the Government and banks of KR could create trust in the banking system

The findings of this study showed that the banking industry in the KR is dominated by state-owned banks, most of the private banks are quite small and their customers are very limited, or they serve a specific type of customers. Meanwhile, the finding also showed that the current banking system in the KR is operating as a part of the state economic plans and it is very similar to the banking system in the former Soviet Union, which its role as a financial intermediary is unnoticeable, and working as a store for the government money only; where the government stores its money inside the banks and then distributes it to its employees and state projects.

*“We as state-owned banks do not compete with each other or even with the private banks because we just perform some government work like storing money and distributing the salaries of the **government** employees [PBM2]”.*

Banks in the KR control 75 per cent of the overall financial system assets which means that other sectors like (insurance sector, mutual funds and pension funds, etc) are small and their role in the economy was ignored (see Aziz and McConaghy 2014). The findings also have shown that banks in the KR do not offer loans to normal customers and they only lend to businesses and companies; besides, gaining a loan from a bank is not easy, as they ask for a big amount of collateral, especially in the form of real estate collateral; meaning that if someone does not own a house or a piece of land, they will never have a chance to gain a loan from banks. As a result, 73.75% of respondents said that when they needed a loan, they asked for one from friends and family (see table 5.10). The findings clearly indicated that banks in the KR are not the main place for people to borrow when

they need money. Additionally, state bank managers showed that if they want to insert any change to improve the performance of their banks, they need consent from the government; so the development of state banks relied on the government's intention to improve them, and as the finding showed, such intention still does not exist.

While global improvement in the banking industry depends essentially on technological developments, the findings of this research showed that KR banks have not made any efforts to provide their customers with advanced and suitable banking services; which has made the banking system stay underdeveloped. Another finding of this research is that all bank managers understood the importance of adopting new technologies and they clearly indicated that inserting such technologies (ATMs or e-banking) will improve the banking system in the KR, but, despite this, they still conduct all of their daily works manually without benefiting from the up-to-date technologies and there is not an electronic payment system. Bank manager's interview analysis showed that bank managers were reluctant towards applying and providing their customers with new banking services such as online banking, ATMs or internet banking and they still conduct their banking transactions in the traditional method. Analysed data of this research showed that 48.07% of respondents said that they do not know anything about online banking services.

“Any modern technology in this region will be accepted so quickly, as we have already seen how people adopted mobile phones and internet connections. I think whenever banks start to apply those new technologies like ATMs, mobile banking or internet banking; it will attract a lot of customers [SBM5].”

However, this statement is contradicted with McCoy et al. (2007) who stated that people with high uncertainty avoidance culture, such as Iraq, are reluctant to accept changes and new ideas. Nevertheless, adopting modern technologies like ATMs or internet banking is

not just related to banks, because these modern technologies require uninterrupted electricity and good quality of internet service, which are not fully available in the region. In fact, there is still no guaranteed 24-hour electricity available in most of the cities and towns.

Findings show that another reason behind the fact that the KR banking system is still underdeveloped was that private banks are relatively small and the ministry of finance has not given them a fair chance to grow themselves, as state offices are only allowed to open accounts with state-owned banks. Despite the fact that private banks were established lately (after 2003), but some of them already outperformed the state-owned banks. One of the main reasons behind the intervention of the state in the banking system and establishing state-owned banks is to produce trust among the public regarding the banking system (Lindgren 1997), but bank managers and respondents indicated that it is state-owned banks that lost their trust among the public and made the overall banking system underdeveloped, some private bank managers (PBM2; PBM5; PBM7) blamed state-owned banks for doing nothing to establish a trusting relationship with the population, again, the government as the decision-maker, for state-owned banks need to step in to encourage and help state banks to use the new banking technologies.

In addition, findings showed that state-owned institutions in the KR are only allowed to deal with state-owned banks and they are not allowed to deal with private banks. The government can change this law which will lead to an increase in the number of private banks in the region. This study showed that one of the factors that resulted in the limited availability of private banks is that state-owned institutions are not allowed to borrow from private banks; the government should give the same chance to both private and state-owned banks in providing loans for state-owned institutions.

In a very hierarchical society such as KR, the Government needs to become proactive if they are to encourage the use of banks. Nine out of sixteen bank managers and government officials (e.g. GOMF3; PBM1; PBM3; SBM1; SBM2) stated that the role of the government is negative when it comes to helping the banks.

“The role of the government is very poor in helping banks; we have tried many times to bring the newer technologies like smart cards but the government created some obstacles for us [PBM1.]

According to (GOMF2; GOMF3; PBM1; PBM3; SBM1), current regulations are not in favour of a sound banking system, as it does not encourage banks to develop themselves. Bank managers and respondents showed that another reason that they do not trust the banking system is banks illiquidity, which means that most the banks especially state-owned banks could not repay their customers on-demand on many occasions because the government has used the customer’s deposited money in the times of crisis. 39.11% of respondents showed that the banks failed to repay them or their family when they needed their deposited money. There are some recent cases, for example, during late 2014 and early 2015, customers could not withdraw their deposits in the banks because banks did not have enough money available in their vaults.

“SOBs damaged our reputation as well when they failed to repay the depositors on demand, this made people withdraw their money in private banks for fear of facing the same situation... [PBM7]”.

This finding showed that the role of government was not positive in helping the banks to grow or develop themselves. It even damaged the reputation of banks through using their depositor’s money. When the customers ask for their own money in the banks, the banks told them that they need to wait for an uncertain time till they can withdraw it. This damage to the bank’s reputation resulted in mistrust in the banking sector as a whole (Adamson 2003).

Competition among any type of business including banks usually forces them to improve their services. According to this research, banks in the KR do not compete with each other. The reason is that as most interviewed bank managers indicated that most of the banks in the KR are state-owned-banks and they are just working as a government accounting department. This means that they do not perform their tasks as a standard bank. Most of the interviewed banks managers and government officials confirmed the fact that banks in the KR do not compete among themselves and all interviewed bank managers believed that if the banks in the KR start competing with each other, it will improve the type of services they offer to their customers. The lack of competition among the KR banks shows the similarity of the KR banking system and the banking system in the countries before the transition (see Hersic 2007). Flavian et al. (2005) believe that when financial firms face tough competition, they need to establish trust in order to stay in the market.

The findings also showed that another reason for the underdevelopment of the banks in the KR is that banks still work under the state plans and the previous cases especially in transition countries cases; which have shown that banks in those countries started to develop when they started working in a market economy (see Nellis 1999). Furthermore, eight bank managers and government officials (e.g. GOMF4; PBM1; PBM4; SBM1) stated that privatisation of state banks is necessary and they believed that this privatisation should have been done ten years ago. Similarly, {PBM6} stated that SOBs have two choices, whether they should be privatised or whether they should be closed.

“Privatization is something very popular in the world and even the government might like to privatize the banks and personally I think it is necessary [BBM1].”

Meanwhile, respondents in this research believed that private banks are safer than state banks (see table 5.12). Additionally, there is enough previous research that indicated that bank privatisation results in a better banking system (see Weill 2003; Megginson 2005; Wachtel et al. 2008). Besides, bank privatisation requires a prior improved legal and regulatory framework by the government (Una and Navarro 1999; Omran 2007). Again, this is another call for the government intervention to privatise state-owned banks.

Findings also showed that it is not possible for their customers to use their money abroad.

“We do not have any links with banks abroad and we do not use the internet in our system, our customers cannot withdraw their money abroad [SBM1].”

This shows that the current banking system in the KR especially, SOBs, is totally isolated from the outside world, and it discourages people from using and trusting the banking system. Foreign banks entry can help to connect the isolated banking system in the KR to the outside world. All the managers and government officials supported foreign bank entry into the region.

“... It is a qualitative extension into the banking service in the region. We always say that foreign banks are more developed and I would like them to enter the region. They will broaden the competition and, in this case, we should improve our services to compete with them [PBM4].”

Interviewees justified their support of foreign bank entry by saying that foreign banks consolidate the KR banking system through strengthening the competition and forcing the local banks to improve themselves and their services.

Another step that government can follow is to make it easy for the foreign banks to enter the country, for example (Levine 1997; Haselmann 2006; Drakos 2003) showed that foreign banking entry in transition countries had a considerable impact on the growth of customer loans and also helped to improve the banking system as the foreign banks' entry allows the region to have access to international financial capital as well as improving the quality of banking services throughout, bringing the latest banking technologies with

them, supporting a modern banking system. Additionally, respondents also believed that international banks are safer than domestic banks see table (5.12).

7.4 Summary

The chapter discussed the findings of this research based on data analysed in chapters 5 and 6. The chapter started by answering the first research objective of this study. It starts by showing the relevant literature regarding the KR banking system. Then, it discussed the reasons that made people reluctant in using banks; among the most prominent factors were political instability, religion and lack of banking awareness. Then the chapter moved to discuss the factors that reduced trust among the banking system in the KR such as banks liquidity, the quality of the services provided by banks, instability, religion and previous losses. Then, the differences between the attitudes of respondents from outside and inside the country regarding the banking system were investigated, and found that people who live abroad and experienced developed banking systems have a more positive attitude regarding trust in banks in their countries. Lastly, discussed the role of the government and banks in helping the system to develop their trust, the findings found out this role is not observed.

The next chapter focuses on the findings of this study alongside the research contributions, recommendations and limitations followed by recommendations for future research.

Chapter Eight: Conclusion and Recommendations

8.1 Introduction

This chapter focuses on the findings of this study followed by the contribution of the research (contribution to the theory and practice). Then the chapter moves to investigate the recommendation of this research both to banks and government followed by limitation of the research, then the chapter discusses the suggestions for future research.

8.2 Study findings

This mixed-method study about the KR banking system showed that the overall banking system in the KR is very weak and inefficient and their role in the economy is not significant. It also revealed that perceived previous bad experiences by the people with banks in the KR had a negative and significant impact on potential customers' attitudes toward using banks. The findings also showed that banks in the KR lost their trust among the inhabitants of the region and they have a lot of work to do regarding solving this problem. Moreover, the results showed that the banking awareness among the people in the KR is very low in a way that most of the people do not have a clear idea regarding how the banking system works.

The findings also showed that the state-owned banks still control both business and retail banking markets. Interviewed banks managers and government officials indicated that religion and political instability are the most significant barriers that prevent people from dealing with banks. The results of this study showed that banks do not have any plans regarding increasing the number of their customers especially, the state-owned banks. Findings also revealed that competition among the banks in the KR does not exist or is

barely observed, one reason behind it is that state-owned banks managers do not have the ability to change the way their banks work, but they need to follow what the ministry of finance tells them to do. Furthermore, banks in the KR mostly concentrated on the major provinces and ignore the towns and smaller districts, especially private banks which have branches and offices only in the provinces. Most towns and smaller districts have only one branch for state-owned banks only. While the banking system in the KR as a whole is considered inefficient, the state-owned banks are considered the most inefficient compared to private banks; most bank managers believed that it is better for all state-owned banks to be privatised. Moreover, people in the KR tend to believe that international banks are safer than domestic banks.

Furthermore, results found out that the role of government in helping banks to develop trust among the people is not observed but, on some occasions, it was the government who damaged the reputation of banks.

The findings also showed that banks in the KR still perform most of their daily work manually and did not benefit from the latest banking technologies which made it quite boring for customers when they needed to stand in long queues just to withdraw some cash. Customers only can withdraw money from banks during the opening bank hours which are normally (8 AM to 2 PM), but if banks could use the latest banking technologies such as ATMs or online banks, it could give customers a chance to withdraw their deposits whenever they want. While literature suggested that people in high uncertainty avoidance cultures such as Iraq are reluctant to accept changes (McCoy et al. 2007; Hofstede Insights 2018), adopting electronic banking service, were largely supported by respondents of this study.

Another result of this study is that banks in the KR do not provide loans to their customers and getting a loan from a bank is very hard in that very few people can get loans from banks; most of the participants said that they ask their friends and families when they need a loan. Meanwhile, few businesses reported that they have benefited from bank loans. While offers are considered, one of the most important factors that businesses use to attract customers. But the results of this study showed that banks in the KR do not provide any offers to attract new customers, and this is an indication of the fact that banks were careless regarding finding new customers. Meanwhile, the results showed that banks in the KR ignored the complaints of their customers and they believe that the complaints are not important, because they believe that people in the region do not have banking awareness. The findings of this study also showed that even though some people have a bank account, they are not active users as some of them only visit their banks yearly.

This research revealed that political instability in the KR is one of the factors that made people to lose their trust in banks, and people mostly even do not trust the political system itself. Meanwhile, the results showed that the illiquidity of the banks is another factor that made people not deal with banks as banks in the KR failed to repay their customers on-demand on many occasions. In the meantime, the findings of this study showed that potential customers are afraid that their personal information may be available to third parties and that privacy is not guaranteed when using banks.

The findings also showed that the banking system in the KR is lacking an efficient communication method with their customers and it is one of the factors that decreased trust among the population. There are only two basic methods of communication in most KR banks, which are telephone and email. The emails and most of the telephone numbers

provided are for the head office of banks only, not local branches. The results also showed that most of the people who open bank accounts are those who open accounts for a period of time, then they close that account. Banks could benefit from those customers by encouraging them to stay with the bank. This can be done by providing them with some offers or educating them about the usefulness of banks. The findings also showed that the current banking system in the KR is totally isolated from the outside world and it is discouraging for people towards using and trusting the banking system. In the meantime, this study showed that most people believed that international banks are safer than domestic banks in a way, some people kept their money in neighbouring countries such as Jordan and Iran.

This is contrary to some previous research by (Fungáčová et al. 2017; Guiso et al. 2004) who argued that religiosity leads to increased trust in the banking sector, the finding of this study showed that religiosity decreased trust in the KR banks. In the interim, the results also demonstrated that Islamic banks in the KR could not promote themselves among the inhabitants of the region in a way that the majority of participants in this study said they cannot differentiate between Islamic banks and non-Islamic banks, but they tend to be more satisfied with Islamic banking.

This study also showed that the people in the KR tend to accept and deal with banks if they encounter a better banking system. Findings showed that people's behaviour towards trust can be changed easily if the antecedents of trust improved. The study results showed that people who lived inside KR and never trusted the banking system, eventually trusted the banking system of the countries where they immigrated or travelled to.

The findings also demonstrated that banks in the KR did not perform their task as an efficient intermediary, as they could not attract the depositors' money and their lending

ability was very limited. Meanwhile the findings show that banks in the KR cannot create money because the money in circulation in the KR mostly circulates outside of the banking system, not through banks.

8.3 Contribution of the research

This section seeks to investigate the contribution of this research. Firstly, it tries to explain the contribution to theory or knowledge followed by its contribution to practice as explained in 8.3.1 and 8.3.2

8.3.1 Contribution to knowledge

This research is the first empirical study to be carried out on trust in the banking system in Kurdistan Region; as a result, it adds knowledge about the banking system to under-researched regions such as KR and Iraq. Meanwhile, this research fills the gap that exists in the literature regarding the trust in the banking system in post-war countries.

This study contributed to knowledge, as it proved that people's behaviour towards trust can be changed easily if the antecedents of trust improved. The study showed that people who lived inside KR and rarely trusted the banking system, eventually trusted the banking system of the countries where they immigrated or travelled to.

This research is the first large scale of investigating the attitude of KR people regarding their banking system through applying both qualitative and quantitative methods in one study, as it applied a qualitative phase then used a quantitative survey of 520 respondents. As a result, the study contributes to an in-depth understanding of mistrust in the banking system, through identifying the main obstacles and barriers that led the people to not deal with their banks and why they do not trust their banking system.

Even though existing literature (e.g. Whiting, 1985; Perry, 1989) summarised the purpose of banks: accepting and keeping the deposits from customers, allowing their clients to withdrawing their money at any time, lending money to those customers who need it, providing their customers with different types of financial services and facilitating payments between countries around the world. But the findings of this study showed that banks in the KR do not provide those services except for the first one, accepting deposits from customers.

Contrary to some previous research (Guiso et al. 2004; Fungáčová et al. 2017) who argued that religiosity leads to increase trust in the banking sector, this study showed that religiosity decreases trust in banks. Thus, this finding can be significant for the ongoing debate in the literature regarding the role of religion in developing trust in the banking sector.

Additionally, while literature suggested that people in high uncertainty avoidance cultures such as Iraq are reluctant to accept changes (McCoy et al. 2007; Hofstede Insights 2018). Adopting electronic banking services were largely supported by respondents of this study. While some researchers showed that trust in the traditional banking system is essential for trust in the electronic banking system (Chiou and Shen 2012), this study found out that adopting electronic banking will encourage people who do not trust banks to establish some type of trust in traditional banking.

Moreover, the study has inserted a comparison between the current banking systems in the KR with countries that have undergone the transition period. The study has shown that there are some similarities between the current KR banking system and the banking system in transition countries before and during the transition period. It was discovered that the same solutions, like privatisation and foreign banks entry, which was the main

solution for those countries, (see chapter two, section 2.5) also can have a significant impact on the development of the banking system in the KR

8.3.2 Contribution to practice

This research provided a set of recommendations for the main stakeholders of the banking system in the KR (KR government, KR banks and customers) to follow its recommendations as this study derived from the original voices of the key stakeholders of the banking system in the KR, these recommendations if applied in the course of a set of proper strategies would improve the current banking system in the KR and by that will help the banks to develop their trust among the population in Kurdistan Region and for the population to experience a sound banking system. This research also contributes to the current discussion on the trust in the banking system and showed the way in which a good banking system should be established that fits the KR culture. Another contribution of this study is that the recommendation of this study can benefit the banks in Iraq as a whole even though this was conducted in the KR but as Iraq has the same transition period, the recommendation can be useful for the rest of Iraq as well.

This research was conducted in a region that lacks scientific research and applied mixed-method approach (quantitative and qualitative), in that case, another contribution of this research will be for the academics and researchers who would like to investigate the banking system in the KR, especially throughout motivating them to use multi-method research approaches instead of using single methods. As for now, most research conducted in this region was using mono-methods and mostly used a quantitative method; the qualitative approach was used in very few cases.

8.4 Recommendation

Based on the results of this study a number of recommendations are proposed for related parties including Government, Banks (both private and state). These recommendations might help in improving the banking system in the KR and that assist the banks to develop their trust among the public.

8.5. Recommendation to the KR banks

Banks need to provide a new method to eradicate that negative expectation by the people in the KR regarding the banking system; banks could attain this by increasing the customer's awareness of the usefulness of banks through advertising and long-term customer relationship management. Furthermore, banks should respond efficiently to the different banking needs of their customers by concentrating on the full functionality of their system.

Banks need to understand the needs of their customers through an efficient method of customer feedback and then analyse that feedback in order to identify what customers complain about.

Banks in the KR have to develop a strategy that reduces the customer's concern about the risk, this can be done through providing unconditional deposit insurance and protecting customer' personal information, this might help in motivating more confidence in the bank's potential customers.

Banks have to create an environment where people feel that the banks treat them neutrally and deal with their deposits safely.

Banks need to create an independent department for customers who need more information about the service of the banks, especially for those customers who visit banks once a month or once a year and listen to them to find out what makes them not use banks

more frequently. By doing that, banks can increase familiarity among the population regarding the service of banks.

None-Islamic Banks need to add Islamic banking services by providing Islamic windows and making sure that its accordance with the basic Islamic principles. Meanwhile, Islamic banks have to promote themselves among the people in the region. They need to have branches in every town and city, and also need to persuade people that using banks is not against the principles of Islam.

Banks need to apply the latest banking technologies in their daily work and provide electronic and online banking services to their customers.

Banks have to extend their working hours at least (from 8 am to 5 pm) because most of the working people work from 8 am to 3 pm and when they get off work the banks are already closed.

Banks have to encourage the inactive bank users to active banks' users through educating them about the benefits of using banks instead of cash

Banks need to train their staff regularly in order to give the customers the best service and make sure that customers fully trust the staff in their banks.

Banks need to provide an efficient communicating system with their customers in a way that customers can contact banks via a variety of means, such as telephone, emails and online chats.

Banks have to establish relationship marketing; the purpose being to develop a long-term relationship between banks and customers, which benefits both parties

Banks need to link themselves with banks abroad so that their customers can send, receive or withdraw money abroad.

8.6. Recommendations to the government

The government should encourage and give licences to international banks to open branches in the region as they have better experience and banking services. The existence of foreign banks will force the domestic banks to improve their service through providing better customer services and applying the latest banking technologies in their daily work. If the government wants to develop the banking system in the KR it should invest in developing its banking sector and depend on banks as an important economic growth element.

The government has to enforce all business transactions and other payment methods to be paid through banks. It will be a good way to familiarise people with banks again.

The government has to give the state offices the choice to open accounts with private banks as well as it opens the door for competition among the banks to provide better services.

The government has to give more autonomy to the state bank managers so that they can improve their bank branch services, because it is the banks' managers who understand what customers need and how they need it.

The government has to sponsor electronic payment facilities in retail stores so that people will be able to use electronic banking in a variety of outlets in order for it to become popular. This requires 24 hours electricity and good internet quality, which is again, the responsibility of the government to provide those services.

The government has to provide sufficient cash to the state banks in order to solve the bank's illiquidity problem, and should also stop depending on depositor's money in the time of crisis as it has happened on many occasions before.

The government has to support and encourage private and Islamic banks to open branches in towns and rural areas. Meanwhile, the government can benefit from the Islamic religious preachers to reduce potential customers concerns regarding using banks being Haram.

The government has to facilitate the KR banks to have links with banks abroad so that it will be easy for bank customers to send, receive and use money abroad.

The government should reconsider the ownership of banks; privatisation can be an excellent way to improve the quality of the banking service in the region. This needs to improve the current legal framework because bank privatisation requires prior improved legal and regulatory framework by the government (Una and Navarro 1999; Omran 2007). Additionally, the government should enhance the banking regulation, because the current banking regulations are not in favour of a sound banking system as it does not encourage banks to develop themselves

The government should strengthen its legal enforcement to protect the deposits of the bank customers so that people feel that they can withdraw their deposits anytime they want.

8.7 Limitations of the research

The findings that have been discussed earlier offered an in-depth understanding of the KR banking system and identified the main obstacles that have led people not to deal with or trust banks. However, the study has a number of limitations and it is essential to discuss them.

The main limitation of this study is that there were limited resources regarding the issue of the banking system in the KR. Also, the data of this study was conducted when the

economic and political situation in the KR were much better compared to the current situation 2017/2018; as a result, the viewpoints of the participants might have changed regarding the current banking system.

Another limitation was that this study was conducted during a very unstable time in the KR's history, specifically when ISIS invaded some parts of KR. As a result, the study was interrupted on many occasions due to the inability of the sponsor to provide the researcher's financial support which contributed to the suspension of the research for nearly two years, forcing the researcher to travel back to Iraq and write the last chapters away from the university campus.

Continuing interruption from the sponsor from providing the researcher's rights in an appropriate and timely manner.

Participants of this study mostly did not have a bank account or banking awareness; this might have led to an overestimation or underestimation by the participants regarding the banking system in the KR, even though every effort was made by the researcher to illustrate the terms and elements during both phases of the data collection period.

8.8 Suggestions for future research

Further research can be carried out to investigate specifically how e-banking can be further developed. Additionally, links between mobile phone usage and e-banking in politically unstable regions such as Iraq should be investigated. Furthermore, additional research should be conducted on a deeper investigation into the potential role of Islamic banking in developing trust and supporting new technologies. Research can be conducted on the role of foreign bank entry in enhancing electronic banking in the region, Further research is required on investigating whether or not the Islamic banking system is more

suitable for the KR banking system and what the Islamic banks should do to become an alternative for the traditional banks.

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Appendices

Appendix (1) respondent's place of living and their agreement regarding the service by banks							
Where do you live?	Banks provide a good service to their customers					Total	Sig.
	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree		
Inside Iraq	22 5.8%	72 18.8%	91 23.8%	143 37.4%	54 14.1%	382 100.0%	0.001
Outside Iraq	10 19.2%	19 36.5%	7 13.5%	10 19.2%	6 11.5%	52 100.0%	
Total	32 7.4%	91 21.0%	98 22.6%	153 35.3%	60 13.8%	434 100.0%	

Appendix (2) respondent's place of living and their agreement regarding trust in the KR banks							
Where do you live?	Banks have lost the trust among the people in the KR					Total	Sig.
	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree		
Inside Iraq	142 38.3%	96 25.9%	54 14.6%	49 13.2%	30 8.1%	371 100.0%	0.050
Outside Iraq	10 19.6%	15 29.4%	7 13.7%	12 23.5%	7 13.7%	51 100.0%	
Total	152 36.0%	111 26.3%	61 14.5%	61 14.5%	37 8.8%	422 100.0%	

Appendix (3) respondent's place of living and their beliefs regarding the safety of banks							
Where do you live?	It is safe to keep my money in banks					Total	Sig.
	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree		
Inside Iraq	23 6.4%	49 13.5%	64 17.7%	142 39.2%	84 23.2%	362 100.0%	0.001
Outside Iraq	10 19.2%	17 32.7%	12 23.1%	6 11.5%	7 13.5%	52 100.0%	
Total	33 8.0%	66 15.9%	76 18.4%	148 35.7%	91 22.0%	414 100.0%	

Appendix (4) respondent's place of living and their beliefs regarding the honesty of banks							
Where do you live?	I think that banks are honest					Total	Sig.
	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree		
Inside Iraq	10 3.3%	47 15.4%	67 22.0%	146 47.9%	35 11.5%	305 100.0%	0.001
Outside Iraq	2 4.7%	19 44.2%	14 32.6%	5 11.6%	3 7.0%	43 100.0%	
Total	12 3.4%	66 19.0%	81 23.3%	151 43.4%	38 10.9%	348 100.0%	

Appendix (5) respondent's place of living and their opinion regarding the privacy in banks							
Where do you live?	I think that privacy is guaranteed when using banks					Total	Sig.
	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree		
Inside Iraq	23 7.1%	76 23.5%	75 23.2%	126 39.0%	23 7.1%	323 100.0%	0.001
Outside Iraq	4 8.7%	26 56.5%	9 19.6%	5 10.9%	2 4.3%	46 100.0%	
Total	27 7.3%	102 27.6%	84 22.8%	131 35.5%	25 6.8%	369 100.0%	

Appendix (6) respondent's place of living and their opinion regarding necessity of banks							
Where do you live?	I believe that banks are necessary					Total	Sig.
	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree		
Inside Iraq	104 32.1%	152 46.9%	27 8.3%	32 9.9%	9 2.8%	324 100.0%	0.05
Outside Iraq	26 56.5%	19 41.3%	1 2.2%	0 0.0%	0 0.0%	46 100.0%	
Total	130 35.1%	171 46.2%	28 7.6%	32 8.6%	9 2.4%	370 100.0%	

Appendix (7) respondent's place of living and their opinion regarding the Islamic banks							
Where do you live?	Islamic banks are safer than non-Islamic banks					Total	Sig.
	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree		
Inside Iraq	62 18.3%	114 33.7%	97 28.7%	45 13.3%	20 5.9%	338 100.0%	0.389
Outside Iraq	10 20.4%	12 24.5%	13 26.5%	8 16.3%	6 12.2%	49 100.0%	
Total	72 18.6%	126 32.6%	110 28.4%	53 13.7%	26 6.7%	387 100.0%	

Appendix (8) respondent's place of living and their opinion regarding the international and domestic banks							
Where do you live?	International banks are safer than domestic banks					Total	Sig.
	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree		
Inside Iraq	110 33.8%	139 42.8%	46 14.2%	25 7.7%	5 1.5%	325 100.0%	0.384
Outside Iraq	18 40.0%	17 37.8%	7 15.6%	1 2.2%	2 4.4%	45 100.0%	
Total	128 34.6%	156 42.2%	53 14.3%	26 7.0%	7 1.9%	370 100.0%	

Appendix (9) respondent's place of living and their opinion regarding the private and state-owned banks							
Where do you live?	I believe that Private banks are safer than state banks					Total	Sig.
	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree		
Inside Iraq	26 7.8%	98 29.3%	113 33.7%	75 22.4%	23 6.9%	335 100.0%	.282
Outside Iraq	4 8.5%	19 40.4%	17 36.2%	6 12.8%	1 2.1%	47 100.0%	
Total	30 7.9%	117 30.6%	130 34.0%	81 21.2%	24 6.3%	382 100.0%	

Appendix (10) respondent's place of living and their opinion regarding service quality in banks							
		My bank answers to my needs quickly				Total	Sig.
		Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	
Where do you live?	Inside Iraq	15 8.4%	70 39.3%	28 15.7%	57 32.0%	8 4.5%	178 100.0%
	Outside Iraq	14 27.5%	27 52.9%	5 9.8%	4 7.8%	1 2.0%	51 100.0%
Total		29 12.7%	97 42.4%	33 14.4%	61 26.6%	9 3.9%	229 100.0%

Appendix (11) respondent's place of living and their opinion regarding their satisfaction with their banks								
		Over all I am very satisfied with the services of my bank					Total	Sig.
		Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree		
Where do you live?	Inside Iraq	11 6.5%	45 26.8%	36 21.4%	48 28.6%	28 16.7%	168 100.0%	0.001
	Outside Iraq	11 24.4%	21 46.7%	11 24.4%	2 4.4%	0 0.0%	45 100.0%	
Total		22 10.3%	66 31.0%	47 22.1%	50 23.5%	28 13.1%	213 100.0%	

Appendix (12) respondent's place of living and their opinion regarding their satisfaction about how banks deal with their needs								
		I believe that my financial needs are handled appropriately by the bank					Total	Sig.
		Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree		
Where do you live?	Inside Iraq	14 8.3%	50 29.8%	34 20.2%	43 25.6%	27 16.1%	168 100.0%	0.001
	Outside Iraq	10 22.2%	23 51.1%	9 20.0%	2 4.4%	1 2.2%	45 100.0%	
Total		24	73	43	45	28	213	

	11.3%	34.3%	20.2%	21.1%	13.1%	100.0%	
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Appendixes (13) Ethical approved application (Interviews)

When undertaking a research or enterprise project, Cardiff Met staff and students are obliged to complete this form in order that the ethics implications of that project may be considered.

If the project requires ethics approval from an external agency such as the NHS or MoD, you will not need to seek additional ethics approval from Cardiff Met. You should however complete Part One of this form and attach a copy of your NHS application in order that your School is aware of the project.

The document *Guidelines for obtaining ethics approval* will help you complete this form. It is available from the [Cardiff Met website](#).

Once you have completed the form, sign the declaration and forward to your School Research Ethics Committee.

PLEASE NOTE:

Participant recruitment or data collection must not commence until ethics approval has been obtained.

PART ONE

Name of applicant:	Mohammed Jalal Mohammed Ameen
Supervisor (if student project):	Dr. Caroline Ritchie/ Dr. Paul Sander
School:	Management
Student number (if applicable):	20016943
Programme enrolled on (if applicable):	Research programme
Project Title:	Developing trust among the Iraqi Kurdistan Region's (KRG) people towards their banking system
Expected Start Date:	06/04/2014
Approximate Duration:	2 months
Funding Body (if applicable):	Kurdistan Regional Government
Other researcher(s) working on the project:	No
Will the study involve NHS patients or staff?	No
Will the study involve taking samples of human origin from participants?	No

In no more than 150 words, give a non technical summary of the project
A well-developed banking sector is one of the most important factors that help to establish a successful privatized enterprise sector which then leads to the growth of whole economy of the country. The banking system in Iraq and Kurdistan Regional Government (KRG) area no longer fulfils this role due to three internal wars in Iraq in the last three decades during which time most banks were bombed and/ or looted resulting in many people losing their trust in the system and stopping using banks. To achieve customer's trust, banks need to establish a positive reputation, effective communication and they also must adopt the norms of customer's relationship because trust only exists when customers believe that the other party is reliable and honest and vice versa. This research will investigate how the KRG banks can develop the lost trust and so start contributing again to the regional economy.

Does your project fall entirely within one of the following categories:	
Paper based, involving only documents in the public domain	No
Laboratory based, not involving human participants or human tissue samples	No
Practice based not involving human participants (eg curatorial, practice audit)	No
Compulsory projects in professional practice (eg Initial Teacher Education)	No
If you have answered YES to any of these questions, no further information regarding your project is required.	
If you have answered NO to all of these questions, you must complete Part 2 of this form	

DECLARATION:	
I confirm that this project conforms with the Cardiff Met Research Governance Framework	
Signature of the applicant:	Date: 04/03/2014
FOR STUDENT PROJECTS ONLY	
Name of supervisor: Dr. Caroline Ritchie / Dr. Paul Sander	Date: 04/03/2014
Signature of supervisor:	

Research Ethics Committee use only	
Decision reached:	Project approved <input type="checkbox"/> Project approved in principle <input type="checkbox"/> Decision deferred <input type="checkbox"/> Project not approved <input type="checkbox"/>

Project rejected <input type="checkbox"/>	
Project reference number: Click here to enter text.	
Name: Click here to enter text.	Date: Click here to enter a date.
Signature:	
Details of any conditions upon which approval is dependant: Click here to enter text.	

PART TWO

A RESEARCH DESIGN	
A1 Will you be using an approved protocol in your project?	No
A2 If yes, please state the name and code of the approved protocol to be used ¹	
N/A	
A3 Describe the research design to be used in your project	
<p>The primary data collection for this research project will be undertaken in two stages. This application is for stage one; semi-structured interviews with bank managers and government officials. When this data has been collected and analysed then an application will be submitted to start stage two, questionnaires with the general public / current and potential bank customers. This questionnaire will be developed from literature and the results of the banks manager/ government official's interviews hence the need for two stages and ethical approval applications.</p> <p>The semi structure interviews will be undertaken with managers from both state and private banks as well as with some government officials in the Ministry of Finance. Semi-structured interviews will be used as they enable in-depth discussion and data collection to occur. The planned sample for the interviews will be approximately 16 participants; 10 banks managers and 6 government officials. Since the potential interviews have a quite specific profile purposive sampling will be used. The number of interviews reflects the fact that the number of banks in the KRG region is limited and most of the banks do not have branches in every city, some of them only operate in specific geographic areas. Having worked in the banking sector the initial contacts for both bank managers and government officials will be made through personal connections, snowballing techniques will then be used to identify the other participants.</p> <p>The interviews will be carried in Kurdistan region of Iraq and each interview will last approximately one and a half hours. They will be held in the bank manager or government official's office during normal working hours by prior appointment and if not, in a mutually convenient venue of their choice. All participants will be Kurdish nationals and most do not speak English, certainly not good English therefore all interviews will be conduct in Kurdish. The interviews will be recorded, transcribed and translated prior to analysis. The computer software called NVIVO will be used to help analyse the data.</p>	
A4 Will the project involves deceptive or covert research?	No
A5 If yes, give a rationale for the use of deceptive or covert research	
n/a	

B PREVIOUS EXPERIENCE
B1 What previous experience of research involving human participants relevant to this project do you have?

¹ An Approved Protocol is one which has been approved by Cardiff Met to be used under supervision of designated members of staff; a list of approved protocols can be found on the Cardiff Met website here

MBA dissertation
B2 Student project only What previous experience of research involving human participants relevant to this project does your supervisor have?
Dr Caroline Ritchie and Dr Paul Sander have much experience of qualitative research including the use of semi-structured interviews gained during participation in national and international research projects.

C POTENTIAL RISKS
C1 What potential risks do you foresee?
All interviews will be arranged in advance, so there is no potential risk foreseen here. However, some of the interviewees are working in the government organisations like state owned banks and the regional government itself. They will need to be absolutely certain that their participation is voluntary and confidential as they may worry that the output of the research could affect their posts in the future. This is less of an issue for those participants who work in the private sector. Additionally this is a politically unstable region, and although safe at the moment the researcher will assess current physical risk using, the UK Foreign Office website for example, at each stage of the research for both themselves and the participants.
C2 How will you deal with the potential risks?
The participants will be assured both verbally and via the PIS and PCFs that they will not be able to be identified from the published results and that all the raw data will only ever been seen by the researcher. As previously stated, the researcher will review the political situation in the KRG region for the safety of themselves and their participants at each stage of the study.

When submitting your application you **MUST** attach a copy of the following:

- All information sheets
- Consent/assent form(s)

Refer to the document ***Guidelines for obtaining ethics approval*** for further details on what format these documents should take.

Appendix (14)
Participant Consent Form

Cardiff Metropolitan University Ethics Reference Number:

Participant name or Study ID Number:

Title of Project: **Developing trust amongst the Iraqi Kurdistan Region's (KRG) People towards their Banking System**

Name of Researcher: **Mohammed Jalal Mohammed Ameen**

Participant to complete this section: Please initial each box.

- | | |
|---|--------------------------|
| 1. I confirm that I have read and understand the information sheet for the above study. I have had the opportunity to consider the information, ask questions and have had these answered satisfactorily. | <input type="checkbox"/> |
| 2. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving any reason. | <input type="checkbox"/> |
| 3. I agree to take part in the above study. | <input type="checkbox"/> |
| 4. I agree to the interview being audio recorded | <input type="checkbox"/> |
| 5. I agree to the use of anonymous quotes in publications | <input type="checkbox"/> |
| 6. I agree to my quotes being attributed to me | <input type="checkbox"/> |
| 7- I agree to my bank/ office being named | <input type="checkbox"/> |
| 8- I agree to my bank/ office name should be anonymised in publications. | <input type="checkbox"/> |

Signature of Participant

Date

Name of person taking consent

Date

Signature of person taking consent

Appendix (15)

PARTICIPANT INFORMATION SHEET (Bank managers)

Developing trust amongst the Iraqi Kurdistan Region's (KRG) People towards their banking system

Project summary

The purpose of this research is to develop a model to show how, once lost, banking systems can develop public trust so that they can fulfil their role as a generator of economic growth using the Iraqi Kurdistan banking system as a case study. Your participation will enable the collection of data which will form part of a study being undertaken at Cardiff Metropolitan University.

Why have you been asked to participate?

You have been asked to participate because you fit the profile of the population being studied; that is you have a managerial position within a bank in Kurdistan and therefore have experience regarding the topic and are familiar with the bank-customer relationships.

Project risks

The research involves the completion of interview and which will be recorded for later analysis. We are not seeking to collect any sensitive data on you or your bank; this study is only concerned with investigate the establishment of good customer-bank relationships in the Kurdistan region. Your participation is entirely voluntary and we do not think that there are any significant risks associated with this study. However, if you feel that any of the questions are inappropriate then you can stop at any time. Furthermore, you can change your mind and withdraw from the study at any time until the point of publication – we will completely respect your decision.

How we protect your privacy

All the information you provide will be held in confidence. We have taken careful steps to make sure that you cannot be directly identified from the interview as there is no information on this interview that will identify you. Your personal details (e.g. signature on the consent form) and your answers to the questions will be kept in a secure location by the researcher. When the study has finished and the data been analysed all the raw information, all the documentation used to gather the data, will be destroyed. The interview detail will be held in a secure and confidential environment during the study and will also be destroyed when the analysis has been completed.

YOU WILL BE OFFERED A COPY OF THIS INFORMATION SHEET TO KEEP

If you require any further information about this project then please contact:

Mohammed Jalal, Cardiff Metropolitan University

Tel: +44751267914

Email: Mojalal@cardiffmet.ac.uk

Appendix (16)

Interview questions with banks managers

Topic areas	Questions
Background	<p>1- What is your occupation?</p> <p>2- How long have you been in this post?</p> <p>3- Have you ever worked overseas?</p> <p>4- What is your previous experience in banking area?</p>
Current state of the banks	<p>1- As a bank manager how do you evaluate the current banking system in the region?</p> <p>2- As a bank manager, how do you compare the banking system before the beginning of the Gulf war in 1990 with the current banking system?</p> <p>3- How many types of the following services do you offer to your customers? (Deposit account, current account, investment, loans, credit and debit cards, Insurance, bill paying services, safety deposit box, others please specify)</p> <p>4- In your bank, for which of these services do customers open accounts?</p> <p>5- Are there any plans to diversify your services?</p> <p>6-At your bank, for what purposes do your customers borrow money? (A. housing B.car loans C. investment D. Others please specify)</p> <p>7- By what means do you communicate with your customers?</p> <p>8-How do you evaluate the role of the banks in helping the overall economy of the region?</p> <p>9- How do you compare the banking system in the Kurdistan region with the current banking situation all over the world?</p> <p>10- Are there sufficient branches of your banks in the region?</p> <p>11- What are the strong and weak aspects of the current banking system in the region?</p>

Trust	<p>1- What does trust mean in bank-customer relationships? Give an example from your experience</p> <p>2-Do you think banks in the region have lost their trust among the people?</p> <p>3- As a manager, what is the best procedure for banks to follow to make people trust them?</p> <p>4- From your point of view, what are the most striking barriers that prevent people from dealing with banks?</p> <p>5- What are the techniques that have been followed by your bank to assure people that using banks is safe?</p> <p>6- How do you see the competition among the banks in the region?</p> <p>7- How does the competition among banks affect the development of trust among potential customers?</p> <p>8- Do you declare your annual financial statements so that the depositors can effectively monitor your bank's efficiency?</p> <p>9- Do you think the recent banking crises in the region (ran out of sufficient money to repay their depositors) had an impact on the customer's trust towards the banking system? If so how?</p>
Culture	<p>1-How do you see banking awareness among the region's people?</p> <p>2-from your point of view, what is the impact of geographic distribution of the bank branches for potential customers?</p> <p>3-What is your opinion about the wages of all employees being paid through banks, as now most are paid in cash through their offices?</p> <p>4-Is there a difference between the attitudes of people from urban and rural areas regarding using banks?</p>
Developments	<p>1- How do you handle customer complaints?</p> <p>2- What is the role of the government in helping the banks?</p> <p>3- What is the role of banks in the region in helping investment in private sector?</p>

	<p>4- Do you have any regular offers or promotions for your customers?</p> <p>5- Can your customers withdraw or transfer money which they have deposited in your bank overseas?</p> <p>6- Do you think if banks used more developed technologies like (internet banking, mobile banking, telephone banking or Cash machines), it will motivate the people to open accounts in banks?</p> <p>7- How do you plan to increase custom for your bank?</p> <p>8- Do you think any of the following points affect the people's intention towards using banks?</p> <ul style="list-style-type: none"> a- Culture b- Religion c- Trust d- Educational backgrounds e- Occupation f- Gender g- Age h- Individual Income <p>9- On what basis do you grant your customers a loan?</p> <p>10- Do you think the internal and external decor for the bank buildings has any impact in attracting new customers?</p>
Religion	<p>1-Do you offer an Islamic banking service with your conventional banking service? If yes, do you offer both services at the same price?</p> <p>2-Are your customers concerned about the prohibition of Islam regarding interest?</p> <p>3-To what extent are people aware of or understand the Islamic banking system?</p> <p>4-Are there people who come to your bank and ask whether you provide Islamic banking or not?</p> <p>5- Do you think that Islamic banks are a better fit with the culture of people in the region? Why?</p>

Foreign bank entry	<p>1-What is your opinion about the entrance of foreign banks into the region?</p> <p>2-Do you think the entry of foreign banks into the region would lead to the development of the banking system?</p> <p>3-To what extent, does the legal framework motivate the entry of foreign banks?</p> <p>4-Are the state-owned institutions only allowed to open accounts with the state-owned banks?</p> <p>5-Do you have links with any banks abroad?</p>
Political situation	<p>1-How do you think political instability has an effect on people's trust in banks?</p> <p>2- What is your opinion about privatization of the state-owned banks?</p> <p>3- How do regulations and rules favour a sound banking system?</p> <p>4- Is the political situation making people move their money abroad or save it in the banks abroad in the past or at the moment?</p> <p>5- Do you think banks help in smoothing shocks and limit credit and deposit volatility in times of crisis?</p> <p>6- Do you think intervention by the government in the banking sector can improve the working of the banking sector?</p> <p>7-is there anything else you would like to add before we end?</p>

Appendix (17)

PARTICIPANT INFORMATION SHEET (officials in the ministry of finance)

Developing trust amongst the Iraqi Kurdistan Region's (KRG) People towards their banking system

Project summary

The purpose of this research is to develop a model to show how, once lost, banking systems can develop public trust so that they can fulfil their role as a generator of economic growth using the Iraqi Kurdistan banking system as a case study. Your participation will enable the collection of data which will form part of a study being undertaken at Cardiff Metropolitan University.

Why have you been asked to participate?

You have been asked to participate because you fit the profile of the population being studied; that is you are an official in Finance Ministry of the region and therefore have experience regarding the topic and are familiar with the banking system in the region.

Project risks

The research involves the completion of interview and which will be recorded for later analysis. We are not seeking to collect any sensitive data on you or your office; this study is only concerned with investigate the establishment of good customer-bank relationships in Kurdistan region and your participation is entirely voluntary and we do not think that there are any significant risks associated with this study. However, if you do feel that any of the questions are inappropriate then you can stop at any time. Furthermore, you can change your mind and withdraw from the study at any time – we will completely respect your decision.

How we protect your privacy

All the information you provide will be held in confidence. We have taken careful steps to make sure that you cannot be directly identified from the interview as there is no information on this interview that will identify you. Your personal details (e.g. signature on the consent form) and your answers to the questions will be kept in secure locations by the researcher. When the study have finished and analysed all the information, all the documentation used to gather the data will be destroyed. The interview will also be held in a secure and confidential environment during the study and destroyed when it is complete.

YOU WILL BE OFFERED A COPY OF THIS INFORMATION SHEET TO KEEP

If you require any further information about this project then please contact:

Mohammed Jalal, Cardiff Metropolitan University Tel: +447512679141 , CMU email:

Mojalal@cardiffmet.ac.uk

Appendix (18)

Interviews with government officials at the Finance Ministry

Topic areas	Questions
Background	<p>1- What is your occupation?</p> <p>2- How long have you been in this post?</p> <p>3- Have you ever worked overseas?</p> <p>4- Have you ever worked in a bank?</p>
Current state of the banks	<p>1-How do you evaluate the current banking system in the region?</p> <p>2- How do you compare the banking system before the beginning of the Gulf war in 1990 with the current banking system?</p> <p>3-How do you evaluate the role of the banks in helping the overall economy of the region?</p> <p>4- How do you compare the banking system in the Kurdistan region with the current banking situation all over the world?</p> <p>5- Are there sufficient branches of banks in the region?</p> <p>6- What are the strong and weak aspects of the current banking system in the region?</p>
Trust	<p>1-Do you think banks in the region have lost their trust among the people? If so why?</p> <p>2- What is the best procedure for banks to follow to make people trust them?</p> <p>3- From your point of view, what are the most striking barriers that lead to people not deal with banks?</p> <p>4- Do you see any techniques that have been followed by the banks to assure people that using banks is safe?</p> <p>5- How do you see the competition among the banks in the region?</p> <p>6- How does the competition among banks affect the developing trust among the potential customers?</p>

Culture	<p>1-How much banking awareness among the region's people do you believe there is?</p> <p>2-from your point of view, what is the impact of geographic distribution of the bank branches for potential customers?</p> <p>3-What is your opinion about wages of all employees being paid through banks, as now most are paid in cash through their offices?</p>
Developments	<p>1- What is the role of the government in helping the banks?</p> <p>2- What is the role of banks in the region in helping investment in private sector?</p> <p>3- Do you think that if banks used more developed technologies like (internet banking, mobile banking, telephone banking or Cash machines), it would motivate people to open bank accounts?</p> <p>4- Do you think any of the following points affect people's intentions towards using banks?</p> <ul style="list-style-type: none"> a -Culture b -Religion c- Trust d- Educational backgrounds e- Occupation f- Gender g- Age h- Individual Income <p>5- Do you think the internal and external decor for the bank buildings has any impact in attracting new customers?</p>
Religion	<p>1-Do you think people are concerned about the prohibition of Islam regarding interest taking?</p> <p>3-To what extend are people aware or understand the Islamic banking system?</p> <p>4- Do you think that Islamic banks are fit better with the culture of the people in the region?</p>
Foreign bank entry	<p>1-What is your opinion about the entrance of foreign banks into the region?</p> <p>2-Do you think the entry of foreign banks into the region would lead to the development of the banking system?</p>

	<p>3-To what extent, does the legal framework motivate the entry of foreign banks?</p> <p>4-Are the state owned institutions only allowed to open accounts with the state owned banks?</p>
Political situation	<p>1-Do you think political instability has any affect on people not trusting the banks?</p> <p>2- How do regulations and rules favour a sound banking system?</p> <p>3- Is the political situation making people move their money abroad, save it in banks abroad in the past or at the moment?</p>
Government policy	<p>1-Do you think banks help in smoothing shocks and limit credit and deposit volatility in times of crisis?</p> <p>2-Do you think state owned banks promote growth and financial development?</p> <p>3-Do you think direct lending by the government to industries and enterprises has more economic consideration than lending by the banks?</p> <p>4-Do you think the recent banking crises in the region (ran out of sufficient money to repay their depositors) have an impact on the customer's trust towards the banking system?</p> <p>5-does the government's policy encourage the development of foreign bank entry?</p> <p>6-Are there any plans by the government towards privatising the state-owned banks?</p> <p>7-Do you think the intervention by the government in the banking sector can improve the working of the banking sector?</p> <p>8-is there anything else you would like to add before we end?</p>

Appendix (19) questionnaire cover page

Developing trust amongst the Iraqi Kurdistan Region's (KRG) People towards their Banking System

Dear respondents

I am a lecturer at the Dukan Technical institute and I am conducting PhD research at Cardiff Metropolitan University. This questionnaire is a part of my study which aims to investigate how banking systems in the Kurdistan region can develop public trust so that they can fulfil their role as generators of economic growth in the region. Your responses will help me to identify the factors that influence people in KRG to trust or not trust and so use or not use banks in the region. Your participation is totally voluntary, you will not be asked for any information which can identify you, and the online survey is completely anonymous. The Qualtrics survey is supported by Cardiff Metropolitan University. It does not send me any details about who you are nor any contact information, therefore your responses will be submitted in absolute privacy. However, your participation in this project will be of great help to me in completing my project. If you choose to participate please make sure that you answer all questions in full by ticking the most appropriate answers before you submit the survey. If you have any questions or want to add any extra information, please feel free to contact me at any time.

Thank you very much for participation in this study

Mohammed Jalal

Cardiff Metropolitan University

Tel: 00447512679141

Email: mojalal@cardiffmet.ac.uk

Ethics Committee Application Reference Number: 2015S0013

گھسپئی دل یت ملن دل دن او خلکی موی می کوو دستل دلبه ای اپل تهری سی ست هم ی بلق کی)
 بهی زل سل
 من) محم جال محم ملین) ماقت ایاری دهدهرل می ملگ ای تهری کی دکان، ل هقت ادال ه دووژن اغی
 یجن دن ی کتورامل ه زلکوی کار یف هت ریوژل تان (ل ه والی یی یی تی امبش ی کل مت وژن موک مبه ری تی مل ه
 ی من جام دل یی هم پیر سر ی مل هتو خلکی ه هت می کووین تل، ایامل جی هت وژن موی بر تی مل موهیکه چون
 بلانک انیتولن نامل هی یخ از گمش یی دهنل مل او خلکی ه هت می کووین تان یی و هی یی تونل نرولی یخ یان
 بیون وکوبز وژن هی کی گمش هی وبلو وریل ه هت مکه دلا.
 بهش دار یی بهی زل مل پیر سر ی مدب مت مواونی خوخ شل یی ه ول ه هت کی دای سی ست هقون ای یی بش یی هت موه،
 لگ هلو هوش دلبش دار یی بهی زل مت مرخلکری نری زکی هی) ۱۵-۲۰ (خول هکامات ی خوت هی ه
 ی اریقه دهه کی زور باش یی مت مواوکر نری هت وژن موی ه. وامل مکل تب من یی ده وژن موه وب ه یج شری مکه
 یی چ نای ای کی کسری یی اشکرا نیی مت چرک هق بمرن امی هی کبوی ی من جام دل یی هم پیر سر ی مکه ارملو وامل ه
 الی من زلکوی کار یف هت ریوژل تان یی یی تی نک یی مت، وه سمر جم وامل مکهان دوا یی مواوکر نری یی تی وژن موک ه
 دهس ردوژن موه یی گمرت هم قتل س مرووی) ۸ (سرا موی مپیری اری بهش داریی دال هم پیر سر ی مدکل ه هت یی به
 کس سمر جم مپیر سر ی ارکهان وامل بهی مت موه هت یی زاری یی گن ج او تری وامل.
 دوا یی چاچوون موه وریی یی هت یی زلکوی کار یف هت ریوژل تان، نامل مبه خشر یی هت
 ژماره 2015S0013 پیر سر ی به له ویک موی ۲۰۱۴/۷/۱۷
 تهری یی یی گمرت سی ست تب ه زمل یی یی گلی زی وامل بهی مت موه موال مبش یی سمر موه یی هم الی مریی س یی گوش ک
 بلگر و زملک مگور ه
 زور سوپاس یی واکاوی

Mojalal@cardiffmet.ac.uk : عی می ل

Appendix (21) questionnaire sample (English version)

Q1. In which of the following places do you normally live in Kurdistan?

- ☐ Hawler
- ☐ Sulaimanya
- ☐ Duhok
- ☐ Kerkuk
- ☐ Halabja
- ☐ Other

Q2. What is your nationality?

- ☐ Iraqi
- ☐ Dual nationality (Iraqi and another one)
- ☒ Other, please specify

Q3. How far is the closest bank from you?

- ☐ There are no bank branches where I live
- ☐ 1-10 KM
- ☐ 10-20 KM
- ☐ More than 20 KM

Q4. Have any banks contacted you to encourage you to open an account with them?

- ☐ Yes
- ☐ No
- ☒ If Yes please Name the bank(s) below

Q5. How do you pay your bills? (you can choose more than one option)

- ☐ By cash
- ☐ by Cheque
- ☐ Electronic payment system

Q6. How often are you paid?

- ☐ Daily
- ☐ Weekly
- ☐ Monthly
- ☐ other please specify

Q7. how are you paid?

- ☐ Cash
- ☐ Iraqi state banks
- ☐ Iraqi private banks
- ☐ International banks
- ☐ Islamic banks
- ☐ Other please specify

Q8. How would you like to be paid?

- ☐ Cash in hand
- ☐ Through private banks
- ☐ Through state banks
- ☐ Through Islamic banks
- ☐ other please specify

Q9. Have you ever asked for loan from a bank?

- ☐ Yes
- ☐ No

Q10. Was the loan granted?

- ☐ Yes
- ☐ No
- ☐ Can't remember

Q11. Why did you apply for a loan?

- ☐ Business purposes
- ☐ Buying a car
- ☐ Housing
- ☐ Study
- ☐ Daily expenses
- ☐ Other please specify

Q12. Except banks, who did you ask for the loan? (you can choose more than one option)

☐ borrowing it from friends and families

☐ I never asked for a loan

☐ Other please specify

Q13. Below is a statement about banking awareness, please indicate your level of agreement with each statement

	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
Banks play a big role in the economy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Banks provide a good service to their customers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Banks have lost the trust among the people in the region	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It is safe to keep my money in banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Banks are working in favor of politicians	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I think that banks put my interest first	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
I think that banks are honest	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I believe that my money could be stolen if I put it in a bank	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I think that privacy is guaranteed when using banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I believe that banks are necessary	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
People who work in banks are trustworthy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Islamic banks are safer than non-Islamic banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
I believe that once I put my money in bank, there is no guarantee that I will get it back on demand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
International banks are safer than domestic banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Using banks in general is Halal (Allowed in Islam)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I believe that using Islamic banking services is Halal	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I believe that Private banks are safer than state banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q14. Would you be prepared to receive interest on your savings?

- ☐ Yes
- ☐ No
- ☐ I have not thought about that
- ☐ Not sure

Q15. Do you have a clear idea about the differences between Islamic banking system and the non-Islamic banking system?

- ☐ Yes
- ☐ No

Q16. which electronic banking services are you familiar with? (you can choose more than one option)

- ☐ Internet banking
- ☐ Telephone banking
- ☐ Mobile banking
- ☐ ATM Service
- ☐ Other, please specify

Q17. How much you know about on-line banking?

- ☐ A Lot
- ☐ Some
- ☐ Little
- ☐ None

Q18. Do you have any savings?

- ☐ Yes
- ☐ No

Q19. If Yes, what do you do with your savings?(you can choose more than one)

- ☐ Put it in a bank
- ☐ Invest it in gold or other jewelry
- ☐ Keep it at home
- ☐ Invest it in real estate
- ☐ Other, please specify

Q20. do you have a bank account?

- ☐ yes
- ☐ No

Q21. What was your primary reason for opening a bank account?(you can choose more than one option)

- ☐ My organisation asked me to
- ☐ To protect my money
- ☐ To invest my money
- ☐ Because of my business needs
- ☐ Social Reasons
- ☐ Other please specify

Q22. What was your reason to choose your current bank?

- ☐ Because it is the only bank available in my area
- ☐ Because it is the closest bank to me
- ☐ Personal recommendation
- ☐ Others, please specify

Q23. How often do you visit your bank?

- ☐ Daily
- ☐ 2-3 times a Week
- ☐ Once a Week
- ☐ Monthly
- ☐ Yearly

Q24. How long have you been a customer with your banks?

- ☐ Under one year
- ☐ 1-4 years
- ☐ 5-10 years
- ☐ Over 10 years

Q25. Does your bank have electronic banking services?

- ☐ Yes
- ☐ No
- ☐ I do not know

Q26. would you recommend your bank to your friends and families?

- ☐ Yes
- ☐ No
- ☐ May be

Q27. How do you check your account? (you can choose more than one option)

- ☐ Online
- ☐ Telephone
- ☐ Face to Face
- ☐ Bank sends me a statement

Q28. Does your bank have Islamic banking services?

- ☐ Yes
- ☐ No
- ☐ I don't know

Q29. what is the type of your bank?

- ☐ None-Islamic private bank
- ☐ State bank
- ☐ Islamic private bank
- ☐ International private bank
- ☐ I am not sure

Q30. Below is a list of statement about services in banks , please indicate your level of agreement with each statement

	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
My bank answers to my needs quickly	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Over all I am very satisfied with the services of my bank	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I believe that my financial needs are handled appropriately by the bank	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q31. Do you get paid through your bank?

- ☐ Yes
- ☐ No

Q32. When your salary has been paid, which of the following do you do?

- ☐ Withdraw it all at once
- ☐ Withdraw the amount which I need in the moment
- ☐ other please specify

Q33. Please briefly explain why you do what you said in answer the Q32?

Q36. Where do you live?

- ☐ Inside Iraq
- ☐ Outside Iraq

Q37. In which country do you live currently?

- ☐ Arab country
- ☐ USA
- ☐ Europe
- ☐ Middle east
- ☐ South East Asia
- ☐ Others please specify

Q38. Do you trust the banking system in the country where you currently live?

- ☐ Yes
- ☐ No
- ☐ I don't know

Q39. Are you ready to put your money in a bank in Kurdistan region?

- ☐ Yes
- ☐ No
- ☐ Not sure
- ☐ Hadn't thought about it

Q40. Please explain why wouldn't you put your money in a bank in Kurdistan region?

Q41. How do you send to or receive money from Kurdistan region?

- ☐ Through banks
- ☐ Through informal money transfers
- ☐ Through formal money transfers like (Western Union, MoneyGram etc)
- ☐ other please specify

Q42. How do you send or receive money inside the country where you are currently resident?

- ☐ Through banks
- ☐ Through informal money transfers
- ☐ Through formal money transfers like (Western Union, MoneyGram etc.
- ☐ Through post-offices
- ☐ Other, please specify

Q43. have you bought goods or services online using your credit or debit card?

- ☐ Yes
- ☐ No

Q44. Have you ever lived outside Iraq (e.g. for study etc..)

☒ Yes

☐ No

Q45. If you answered yes to previous question, please specify where

☐ Arabic countries

☐ Europe

☐ USA

☐ South east Asia

☐ Others please specify

Q46. Did you have a bank account in that country?

☐ Yes

☐ No

Q47. Within Kurdistan, do you live in

☐ City

☐ Town

☐ Countryside

Q48.

During the recent political unrest, some banks defaulted on payments to their customers, did this ever happened to (you can choose more than one option)

☐ You

☐ family member

☐ friends

☐ Not sure

☐ No

Q49. relating to question 48, If the bank did default wither to you or someone close to you, please explain how it made you feel about banks?

Q50. gender

- ☐ Male
- ☐ Female

Q51. In which age band are you?

- ☐ 18-24
- ☐ 25-34
- ☐ 35-44
- ☐ 45 -54
- ☐ 55-64
- ☐ 65 or over

Q52. What is the highest education level you have achieved?

- ☐ No school
- ☐ Elementary school
- ☐ Intermediate school
- ☐ Secondary school
- ☐ Diploma
- ☐ Bachelor degree
- ☐ Master degree
- ☐ PhD
- ☒ Other, please specify

Q53. What is your occupation?

- ☐ Student
- ☐ Private sector employee
- ☐ Public sector employee
- ☐ Self employed
- ☐ Retired
- ☐ unemployed
- ☐ Other

Q54. Are there any comments you like to make about the current situation of banking system in Kurdistan region?

Appendix (22) questionnaire sample (Kurdish version)

Q1. له بنهر فتدا، سهر به كام لهم پاريز گايانهى خوار دوهيت؟

- ☐ همولير
- ☐ سلیمانی
- ☐ دهوک
- ☐ کمرکوک
- ☐ ههلمچه
- ☐ شولینی تر

Q2. خاوهنی چی ڕهگهزنامهیهکی؟

- ☐ عێراقی
- ☐ دوو ڕهگهزنامه(عێراقی و ولاتیکی تر)
- ☒ هی تر، نکایه دیاری بکه

Q3. نزیکترین بانک له تۆوه چهند دووره؟

- ☐ لهو شوێنهى که منى لى دهریم هیچ لقیگی بانکى لى نییه
- ☐ ۱-۱۰ کیلومتر
- ☐ ۱۰-۲۰ کیلومتر
- ☐ زیاتر له ۲۰ کیلومتر

Q4. ئایا هیچ بانکێک پهیوهندی پێوهکردووی بۆ ئهو دی هانت پدا بۆ کردنهوهی ئهزمیرهى (حسابی) بانکى لهگهڵیاندا؟

☐ بېلې

☐ نه‌خېږ

☐ نېگېر وه‌لامېگېت بېلې بوو تګايه ناوې بانګمګان له خوار هوه پټووسه

Q5. چوڼ پاره‌ی پسونګانټ دده‌پټ؟ و مګوو پسونګه‌ی ناو، کاره‌با... هټد (دفتوانی له يېک وه‌لام زیاتر هټېژنری)

☐ به نېمډی (کاش)

☐ به چېک

☐ به رېڼګای یارمډانی نېلېکرونی

Q6. به زوړی به کام له‌م شینوانه‌ی خوار هوه کری یان موجه‌کېت ودرده‌ګرېت؟

☐ پوزانه

☐ هفتانه

☐ مانګانه

☐ هی تر، تګايه دپاری بکه

Q7. به کام ریگه کری یان موجهکمت پی ددریت؟

- ☐ به نمدی (کاش)
- ☐ له ریگهی بانکه حکومیهکانهوه
- ☐ له ریگهی بانکهکانی کمرتی ناییمت
- ☐ له ریگهی بانکه نیودو لهتیهکانهوه
- ☐ بانکه نیسلامیهکان
- ☐ هی تر، تکایه دیاری بکه

Q8. پنت باشه چۆن کری یان موجهکمت پیډریت؟

- ☐ به نیوده نمدی (کاش)
- ☐ له ریگهی بانکهکانی کمرتی ناییمتوه
- ☐ له ریگهی بانکه حکومیهکانهوه
- ☐ له ریگهی بانکه نیسلامیهکانهوه
- ☐ هی تر، تکایه دیاری بکه

Q9. ئايا ئا ئېستا داواي قهرزت له بانك كړدوه؟

☐ بېلې

☐ نهخېر

Q10. ئايا قهرزه كهيان پېدايت؟

☐ بېلې

☐ نهخېر

☐ بېرم نايست

Q11. بوجي مېېستېك داواي نهو قهرزهت كړد؟

☐ به مېېستې ئېش كړدن

☐ بو كړيني ئوئوموبيل

☐ بو خانووبهره

☐ خوئندن

☐ خسرجي رڼورانه

☐ هي تر، تكايه ديارى بكه

Q12. ئايا بهدر له بانكهكان، داواي قهرزت له لايمني تركردوه؟(دهتواني زياد له وه لامېك هېلېزيرى)

☐ له خېزان بان هاورېكانم

☐ قېت داواي قهرزم تېكردوه

☐ هي تر، تكايه ديارى بكه

Q13. له خوارهوه چهند روڼکړدنو د هېک همپه له باره ی هوشیار ی بانکې، تکاپه ناستی رڼا مهندیت بو هر یهک لهم دهر برېنه نه ی خواره وه دیاری بکه.

به زوری نارازیم	نارازیم	نه رازیم و نه نارازیم	رازیم	به زوری رازیم	
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	بانکه یان پروژیکې زور گموره ده پین له نابوریدا
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	بانکه یان خزمهتگوزاری باش پیتسکس به بهمداریو وکاتیان دمکس
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	بانکه یان متمانې خویان له دمست داوه له ناو خملکې هر نیمه کدا
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	نمگس یار مکام له بانک دابنیم یاریزراو دهین
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	بانکه یان له بهر موندی سیاسیهکان کار دمکس
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	پیم وایه بانک یان بهر موندی من دمخنه پیتس همموو شتیکمونه
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	پیم وایه بانک یان راستگون
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	پیم وایه نمگس یار مکام له بانک دابنیم دمدرین
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	پیم وایه نابیهتمنیم یاریزراو کاتیک بانک به کار دهینم
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	پیم وایه بانک یان پیویستن
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	نمو کسانه ی که له بانک کار دمکس کسی باو دریکیرون
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	بانکه نیسلا میهکان دلنیا یان زیاتره وک له بانک نا نیسلا میهکان
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	پیم وایه کاتیک یار مکام له بانک دابنیم، هیچ گمر مننیهک نییه که له کاتی خویدا بتوانم ودریگر مموه
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	بانکه نیودمول میهکان دلنیا ترن له بانک ناو خویهکان
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	بمکار هینانی بانک یان به شویهکی گشتی حه لالان
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	پیم وایه ماموله کردن لمگل بانک نیسلا میهکاندا حه لاله
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	پیم وایه بانک یان کمر تی تاییهت سه لامعترن له بانک حکومیهکان

Q14. تۆ ئامادەى كە سوو وەربگىرى لەسەر ئەو پارەيەى كە لە بانك پاشەكەوتى دەكەيت؟

- ☐ بەلى
- ☐ نەخىر
- ☐ بىرم لى ئەكرەوتە
- ☐ بەلىيا نىم

Q15. ئاىا بۇچونىكى روونت ھەيە لە بارەى جياوازى لە نىوان سىستەمى بانكى ئىسلامى و سىستەمى بانكى ئاىسلامىدا؟

- ☐ بەلى
- ☐ نەخىر

Q16. بە كام لە خزمەتگوزار بىھەكانى سىستەمى بانكى ئەلىكترونى ئاشنايت؟(دەتوانى زىاد لە وەلامىك ھەلىزىرى)

- ☐ بانك لە رىگەى ئىنتەرنىتە
- ☐ بانك لە رىگەى تەلفونە
- ☐ بانك لە رىگەى تەلفونى گىرەكە(موبایل)
- ☐ ئامىرى پارە راکىتەنى ئوتوماتىكى
- ☐ ھى تر، تەكالىھ دىارى يەكە

Q17. تا چەند بە خزمەتگوزارى بانكىى سەرھىل(ئۇنلاىن) ئاشنايت؟

- ☐ زور
- ☐ ھەندىك
- ☐ كەمىك
- ☐ ھىچ

Q18. ھىچ پاشەكەوتت ھەيە؟

- ☒ بەلى
- ☐ نەخىر

Q19. نەگەر پاشەكەوتت ھەيە، چى لى دەكەي؟ (دەتوانى زىاد لە ۋەلامىك ھەئىزىرى)

- ☐ لە بانك ھەلى دەگرم
- ☐ لە پىگاي زىر و خىلى ترمو ھەلى دەگرم
- ☐ لە مالمو ھەلى دەگرم
- ☐ لە ۋەيس ھىنانى خانوو بەردا بە كارى دەھىنم
- ☐ ھى تر، تەكايە ديارى بگە

Q20. نەز مەزەي (حسابى) بانكىت ھەيە؟

- ☐ بەلى
- ☐ نەخىر

Q21. ھۆكارى سەرەكىت چى بوو بۇ كردنەۋەي نەز مەزەي (حسابى) بانكى؟ (دەتوانى زىاد لە ۋەلامىك ھەئىزىرى)

- ☐ سۈيلى نىشەكەم داۋاي لىكردم
- ☐ بۇ پاراستنى پارەكانم
- ☐ بۇ ۋەيس ھىنانى پارەكانم
- ☐ لەيس پىداۋىستى كارەكەم
- ☐ ھۆكارى گومەلەيەنى
- ☐ ھى تر، تەكايە ديارى بگە

Q22. ھۆكارى ھەئىزاردنى نەز بانكەي نىستات چى بوو؟

- ☐ لەيس نەۋەي تەنھا نەز بانكە لە ناۋچەكەي مەن ھەيە
- ☐ لەيس نەۋەي نەز بانكە نەز پىكترىن لى بانكە لە مەنەۋە
- ☐ كەسەك پىشتىيازى بۇ كردم
- ☐ ھى تر، تەكايە ديارى بگە

Q23. چهند جار سهر دانی بانکەکت دهکەیت؟

- ☐ ٲرۆزانه
- ☐ ٲ-٣ جار له ههفتهیهکدا
- ☐ ههفتهیهی جارٲیک
- ☐ مانگانه
- ☐ ساڵانه

Q24. ماوهی چهنده لهگهڵ ئهو بانکە سامهله دهکەیت؟

- ☐ کهمتر له ساڵیک
- ☐ ١-٤ سال
- ☐ ٥-١٠ سال
- ☐ سهرووی ١٠ سال

Q25. ئایا بانکەکت خزمهتگوزاری بانکیهی ئهلیکترۆنی ههیه؟

- ☐ بێلێ
- ☐ نهخێر
- ☐ نازانم

Q26. ئایا پێشنیازی ئهو بانکە دهکەیهی ٲو هاوڕێ ٲان کهسه نزیکهکانٲ؟

- ☐ بێلێ
- ☐ نهخێر
- ☐ لهوانهیه

Q27. چۈن حسابھكەت دەپشكنى؟

- ☐ بە ئۇنلاين
- ☐ لە رېگھى تەلەفۇنەد
- ☐ پروو بە پروو لە بانك
- ☐ بانكەكە كەتتىق حسابھكەم بۇ دەنئىرئىت

Q28. ئايا بانكەكەت خزمەتگوزارى بانكىي ئىسلامى ھەيە؟

- ☐ بىلى
- ☐ نەخىر
- ☐ نازانم

Q29. جۈرى بانكەكەت چىيە؟

- ☐ بانكى نا ئىسلامى كەرتى تاييەت
- ☐ بانكى حكومى
- ☐ بانكى ئىسلامى كەرتى تاييەت
- ☐ بانكى ئىودەولەت كەرتى تاييەت
- ☐ دىنئىا نىم

Q30. له خواروه چهند ړونگر د نهو د بیهک هیه له باره دی خزمهتگوزاری بانک، تکیه پراده دی رازی بوونی خوټ لهبار دی هس بهکیانسه دیاری بکه

په زوری نارازیم	نارازیم	نه نارازیم و نه نارازیم	نارازیم	په زوری نارازیم
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

خپرای و نه لوم دانهو دی پینداو پسته کانه

په شپو د بیهک گتنی له سرچشم
خزمهتگوزاری بانک په نارازیم

له باور د مام که پینداو پسته داراییه کانه به
شپو د بیهک زور گونجاو له لایین بانک په مام
مامله لای لامل د مکریت

Q31. آیا کرئ بان موجهه که له ریگهی بانکوه پی دهنریت؟

- ☐ بلی
- ☐ نه خیر

Q32. کاتیک کرئ بان موجهه که و در دهنریت، کام له سانه دی خواروه نه انجام دهنریت؟

- ☐ په بیک جار همووی رادمکیتیم
- ☐ تهنه لوم بره رادمکیتیم که لوم کانه پینو پسته
- ☐ هی تر، تکیه دیاری بکه

Q33. تکیه به کورتي روونی بکه دوه بچی نهو نه انجام دهنریت که له پرسپاری ۱۳۲ و نه لامت دایهوه

Q34. ئەگەر ئەزمىرە (حسابى) بانكىت نى، بۇچى تا ئىستائىتە؟ (دەتوانى زىاد لە وەلامىك ھەلپىرى)

- ☐ مەمانەم بە بانكەكان نىيە
- ☐ ئىنويستىم بە بانك نىيە
- ☐ نازانم بانكەكان چۈن كار دەكەن
- ☐ پاتەكەوتەم نىيە
- ☐ خزمەت گوزارى بانكەكان زور لاوازن
- ☐ لەيس ئەمەدى بارودۇخى سىياسى جىگىر نىيە
- ☐ تەرمە ھەيە خەلكى تە زانبارى لەبارەدى ئەزمىرەدى بانكەكەمەمە بزانن
- ☐ ئەمە شوئىنەدى كە مەن لىنى دەزىم ھىچ لىقىكى بانكى لى نىيە
- ☐ ھى تە، تەكايە دىبارى يەكە

Q35. ئايات تە ئامادەدى كە ئەزمىرە (حسابى) بانكى يەكەتەمە ئەگەر بانكەكان خزمەتگوزارى بانكىكى ئەلپىكترونى وەكو (بانك لە رىگەمى ئىنتەرنىتەمە، مەكىنەمى پارە رەكشائى ئوتوماتىكى ھەند) بەكار بېيىنن؟

- ☐ بەلى
- ☐ نەخىر
- ☐ لەمەنەمە

Q36. لە ئىستادا لە كوى دەزىت؟

- ☐ لە ناو عىراق
- ☐ لە دەرمەدى عىراق

Q37. له ئېستادا له له كام ولات دهریت؟

☐ ولاته عمر مېيېمکان

☐ نمریکا

☐ نمرویا

☐ رور هلاتی ناوېراست

☐ باشووری رور هلاتی ناسیا

☐ هی تر، تکایه دیاری بکه

Q38. ئایا متمانعت به سیستمی بانکی نهو ولاته ههیه که ئیستا لینی دهریت؟

☐ بھلی

☐ نهخیر

☐ نازالم

Q39. ئایا نامادهی پار هکانت له بانکهکانی ههریمی کوردستان دابنیت؟

☐ بھلی

☐ نهخیر

☐ دلنیا نیم

☐ بیرم لئ نهکردوتموه

Q40. تګاپه پروونی بکسوه بۆچی ئاماده نیت پارهکانت له بانکەکانی هەریمی کوردستان دابننی؟

Q41. چۆن پاره دەننیری بۆ کوردستان یان له کوردستانهوه پارهت بۆ دیت؟

☐ له ڕێگەیی بانکەوه

☐ له ڕێگەیی نوسینگەیی ئالوگۆری نافەرمییەوه

☐ له ڕێگەیی نوسینگەیی فەرمییەوه و مکو (Western Union, MoneyGram, هەند)

☐ هە تر، تګاپه دیاری بکە

Q42. چۆن پاره دەننیری یان پارهت بۆ دەننیرن له ناوخۆی ئەو ولاتەیی کە ئێستا لێی نیشتەجیی؟

☐ له ڕێگەیی بانکەوه

☐ له ڕێگەیی نوسینگەیی ئالوگۆری دراوی نافەرمییەوه

☐ له ڕێگەیی نوسینگەیی ئالوگۆری فەرمییەوه و مکو (Western Union, MoneyGram, هەند)

☐ له ڕێگەیی نوسینگەیی پۆستەوه

☐ هە تر، تګاپه دیاری بکە

Q43. ئایا ئا ئێستا کالۆ خزمەتگوزاریت کرایوه له ڕێگای ئۆنلاینهوه به بەکارهێنانی کارتی متمانە یاخود کارتی فەرز (Debit Card, Credit Card)؟

☐ بێلێ

☐ نەخێر

Q44. هەرگیز له دەرەوهی غیرافدا ژیاویت؟ (بۆ نمونه به مەبەستی خوێندن یان هەرمەبەستێکی تر)

☐ بێلێ

☐ نەخێر

Q45. ئەگەر لە دەردەوی غیر اقدا ژیاویت، تکایە دیاری بکە لە کوی بوویت؟

- ☐ ولاتە عەرەبیکان
- ☐ ئەوروپا
- ☐ ئەمریکا
- ☐ باشووری خۆرەلاتی ئاسیا
- ☐ هێ تر، تکایە دیاری بکە

Q46. ئایا لەر ولاتە کە لێی دەژیاویت، ئەژمێرە (حسابی) بانکیت هەیوو؟

- ☐ بێلێ
- ☐ نەخێر

Q47. لە کوردستان، لە کوی دەژیت؟

- ☐ ناوشارمکان
- ☐ قەزاو ناحیەکان
- ☐ لە گوندەکان

Q48.

لە ماوەی ئەم ناڕامییە سیاسیانەیی ئەم دوایانەدا، بانکەکان نەیان توانی پارەیی بەکاربەرەکانیان لە کاتی خۆیدا بدەنەو، ئایا ئەمە روویداوە لە هیچ کام لەمانەیی خوارووە (دەتوانی زیاد لە وەلامیک هەڵبژێری)

- ☐ بۆ ئۆ
- ☐ ئەندامانی خێزانەکەت
- ☐ هاوڕێکان
- ☐ دلتیا نێم
- ☐ نەخێر

Q49. سەبارەت بە پرسیاری ٤٨، ئەگەر بانکەکان نەیانئوانیوه که پاره‌ی تۆ بان کەسیکی نزیک‌ی تۆ له کانی خۆیدا بدەنەوه،
تکایه پروونی بکەر وه چون ئەمه کاریگه‌ری له ههستی تۆ کرد به‌رانی‌ه‌ر بانکەکان

Q50. ڕه‌گه‌ز

☐ نێر

☐ مێ

Q51. ئەه‌مه‌ن

☐ ٢٤-١٨

☐ ٣٤-٢٥

☐ ٤٤-٣٥

☐ ٥٤-٤٥

☐ ٦٤-٥٦

☐ سه‌رووی ٦٥ ساڵ

Q52. ئاستى خويندن

- ☐ نەچۈۈمەنە قۇتايخانى
- ☐ سەرمەن
- ☐ ئالومەن
- ☐ ئالومەن
- ☐ دېلۇم
- ☐ بېكەلۇر يۇس
- ☐ ماستەر
- ☐ نىكۇرا
- ☐ ھى ئىر، ئىكايە دىيارى بىكە

Q53. پېشە

- ☐ خويندكار
- ☐ فەرمانىيەرم لە كەرتى تاييەت
- ☐ فەرمانىيەرم لە كەرتى حكومى
- ☐ خاۋەن ئېشى خۇمم
- ☐ خائەنشىيەم
- ☐ بېكارم
- ☐ ھى ئىر

Q54. ئابا ھېچ شىئىك ھەيە ھەز بىكەي زىيادى بىكەي لەبارەي بارودۇخى ئېستاي بانكەكەنى ھەرنىمى كوردستان؟

