

Trust as a strategy for handling uncertainty in private savings choices

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Department of Psychology 2015

Avhandling för avläggande av filosofie doktorsexamen i Psykologi, som med vederbörligt tillstånd av samhällsvetenskapliga fakulteten vid Göteborgs universitet kommer att offentligens försvaras fredagen den 5 juni 2015, kl. 10.00, Sal F1, Psykologiska institutionen, Haraldsgatan 1, Göteborg.

Fakultetsopponent: Professor Bernadette Kamleitner, University of Vienna

The thesis is based on the following three studies:

- I. Carlander, A., Peterson, D., Gamble, A., Gärling, T., Johansson, L.-O., & Holmen, M. (2013). Choices of savings options related to trust in banks' competence, benevolence and stability. *Journal of Financial Services Marketing, 18*(2), 121–136. <http://dx.doi.org/10.1057/fsm.2013.9>
- II. Carlander, A., Gamble, A., Gärling, T., Carlsson Hauff, J., Johansson, L.-O., & Holmen, M. (2015). *Trust-mediated effects of personal services on satisfaction with banks*. Manuscript submitted for publication.
- III. Carlander, A., & Johansson, L.-O. (2015). *Trust as a strategy to cope with uncertainty in delegated portfolio management*. (Centre for Finance Working Paper). Gothenburg: School of Business, Economics and Law, University of Gothenburg.



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Abstract

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This thesis examines trust in banks and financial expertise as a way of coping with the uncertainty involved in financial decision making. Trust is considered to be beneficial in general and uncertainty is assumed to induce adverse feelings that people will want to get rid of. The general aim was to investigate whether people will substitute assumed adverse psychological states with trust. Thus, topics such as trust, investor biases, financial literacy and customer satisfaction were investigated. Different groups of participants were included; undergraduate students, the general public, and bank customers. **Study I** showed that the propensity to invest in an actively managed fund was determined by beliefs in investor skills together with trust in financial institutions. In addition, self-reported financial knowledge and trust were found to be complementary in the choice of different investment products. Results from **Study II** showed that trust fully mediated the relationship between perceived quality of personal services and customer satisfaction. This indicates that satisfaction and thereby also loyalty may depend on trusted bank personnel. **Study III** investigated a savings choice scenario with real-time stock information. The results showed that trust in financial advisers increases the probability of delegating the savings choice to a financial adviser. Conversely, financial literacy increases the probability of choosing to invest individually in shares or in an index fund. In addition, the choice to delegate to a financial adviser reduced the participants' subjective uncertainty of the choice task. The results suggest that trust is a way of coping with uncertainty. In general, this thesis emphasizes the importance of trust in explaining behaviour in a financial context. In particular, trust seems to be a reason why people consistently invest in expensive financial products that rarely are beneficial to them. This may indicate that trust in banks and financial expertise rests upon an unwillingness to accept uncertainty that may lead to higher than warranted levels of interpersonal trust. This raises some ethical issues for future policy considerations.

Keywords: Trust; Uncertainty; Banks; Financial institutions; Customer satisfaction;
Financial literacy; Coping

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