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Stages of trust development in banking relationship

Abstract

Using data collected from eight bank branches in India, this study examines how the trust between branch manager and loan officer begins and develops in multiple stages over a period of time. It seeks to fill an important gap in the academic literature on the development of trust between trustor and trusted over a period of time by empirically examining the trust relationship between branch manager and loan officer in a bank. The results of the cross case qualitative analysis conducted on stages of trust development using pattern matching technique suggest that trust relationship between branch manager and loan officer follows the three-stage model of Lewicki and Bunker (1996) with certain deviations applicable only to describe the relationship examined in this study. This study contributes to the literature by exploring the mechanism of trust development between branch manager and loan officer of bank branches in India through a case study and enriching the model of Lewicki and Bunker (1996).

Keywords: trust, banking, relationships, bank branches, stages.
JEL Classification: G21.

Introduction

A review of literature on trust (Lewicki et al., 2006 and Atkinson et al., 2003) suggests that the process of development of trust in various organizations and situational context are not very well understood, suggesting a gap in academic literature on trust. Since the role and degree of trust required differ by relationship (Parkhe 1998), understanding the form of relationship is critical to understanding the development of trust in a particular relationship. Examining the models of interpersonal trust development, Lewicki et al. (2006) identified how trust starts in a relationship and how trust changes over a period of time. The question here is whether the level of trust begins at zero or whether there is an initial trust between parties and people have disposition towards trust. Another question that relates to trust building over a period of time is how the initial beginning and subsequent updating of trust occurs (Kramer, 1996) and how trust increases over a period of time. Since trust is considered context driven or situation specific (Parkhe, 1998), it is considered relevant to examine the development of trust in various organizational context and relationships within organizations. Since there is no previous study examining the development of trust in a relationship within a banking organisation, this study examines the stages of development of trust in a bank, focusing on a trust relationship between branch managers and loan officers of eight bank branches in India. The specific questions it attempts to address are: (1) how the trust between branch manager and loan officer starts? (2) How the trust between branch manager and loan officer of bank branches in India develops in multiple stages over a period of time? The banking industry in India provides a context and setting of a commercial relationship where trust is a significant behavioural factor that can impact on the nature

and development of relationship. The issue of trust is particularly important in emerging economy of India as firms in emerging economies are not in a position to emulate institutional framework which regulates business relationships as in developed economies. Humphreys (1998, p. 236) states that Indian firms operate in an environment where trust is an important element of business relationship. It helps businesses create value, improve competitiveness and develop relationships between individuals and organizations. The relationship between branch manager and loan officer of bank branches in India provides an example of a relationship which develops in the organizational structure and cultural settings where trust plays an important role. The branch of a bank is a place where considerable amount of lending occurs in India. Branch manager and lending officer are key players in lending function of branches in India. They are dependent on each other for achieving lending outcomes set for the branch. The inter-dependence between branch managers and loan officers started when banks were nationalized and the government started pursuing a policy of social banking. The geographical and functional expansion of branches after nationalization of banks created an atmosphere when branch managers and loan officers were subjected to government directives in regard to their lending functions. Branch managers and loan officers of bank branches in India face much higher risk than their western counterparts because of policies of the government, structure of banking system, lack of information and lack of legal protection. This increased level of risk to branch manager and loan officer creates a relationship of mutual dependence between branch manager and loan officer where trust becomes particularly applicable because branch manager and loan officer can reduce mutual risk through development of a trust relation (Bhati and De Zoysa, 2011). It has been argued in the literature (Shankman, 1999) that in situations involving mutual de-

pendence trust is good descriptor of relationship between individuals involved in relationship. The development of trust in economic relationship may not be immediate but may go through various stages of trust development. The purpose of this paper is to investigate the stage of trust development between branch manager and loan officer who are involved in an economic relationship. Section 1 of this paper examines the literature on trust development. Section 2 outlines the theoretical framework of the study while section 3 describes the methodology used in this study. Section 4 provides the results and main findings of this study. Conclusions are drawn in the last section.

1. Literature on stages of trust development

The issue of how trust starts and develops has been a subject matter of a number of studies. The first development approach to trust assumes that trust begins at zero base line and develops over time (Blau 1964, Rempel et al. 1985). Luhmann (1979) argued that individuals start with zero trust at the beginning of a social relationship and develop a perspective towards development of trust. According to Luhmann (1979) and Jones and George (1998), people assume that other people with similar values to their own can be trusted. If initial trust is reciprocated then an orientation towards trust may occur in future relationship as well. The assumption of zero initial trust is contradicted by other authors such as Kramer (1994) and Meyersen et al. (1996). These authors suggest that people could start a relationship with high initial level of trust even if they did not have any prior interaction with other party and use this predisposition to trust to build later trust in other person. Meyersen et al. (1996) have cited the examples of individuals in teams and groups who develop "swift trust" and sustain it due to interdependence involved in group work.

On the second question of how trust develops in multiple stages over a period of time, there have been different views over the development of trust. For example, Shapiro (1987, p. 625) concludes that "Social exchange relations evolve in a slow process, starting with minor transactions in which little trust is required because little risk is involved and in which partners can prove their trustworthiness enabling them to expand their relations and engage in major transactions". Shapiro (1987) is suggesting that trust could evolve in several stages and each stage could be characterized by activities by trustor and trusted that could contribute to building of trust between the two.

Lewicki and Bunker (1996) suggested that the relationship develops in three stages of trust – calculus based trust, knowledge based trust and identification based trust. Not every relationship is expected to reach the identification based trust. Some relationships do not go even beyond the first stage of calculus based trust or the second stage of knowledge based trust. The stages of trust formation presented by Lewicki and Bunker (1996) are not specific to any particular situation but are descriptive of any trusting relationship. As Wintoro (2000) and Lewicki et al. (2006) pointed out, the model of stages of trust development helps in explaining different context and situations of trust relationships. The model of Lewicki and Bunker (1996) is considered to be suitable for explaining the stages of trust development between branch managers and loan officers because this relationship is a financial relationship in a specific context of business of banking and is expected to develop over a period of time. The next section of this paper discusses the theory of stages of trust development and model of Lewicki and Bunker (1996) as applicable to the relationship between branch managers and loan officers of bank branches in India.

2. Theoretical framework on stages of trust development

Lewicki and Bunker (1996) have identified that trust develops in stages and proposed three stages of trust development. These are:

1. Calculus based trust.
2. Knowledge based trust.
3. Identification based trust.

The three stages model proposed by Lewicki and Bunker (1996) assumes that the parties are building a new relationship, there is no past experience of relationship between them and the parties are uncertain about future longevity of the relationship. Accordingly, trust develops gradually as the parties move from one stage to another.

2.1. Calculus based trust. This is the first stage of trust when the trustor and the trusted start a new relationship. Calculation based trust involves a rational calculation of the costs and benefits of trust and the probability of detection in the case of cheating allows the parties to develop appropriate safeguards to protect themselves (Husted, 1994). This type of trust involves "economic calculations whose value is derived by determining the outcomes result from creating and sustaining the relationship relative to the cost of maintaining or severing it" (Lewicki and Bunker, 1996, p. 120).

In a calculus based trust situation, the trustor and trusted observe market oriented economic calculations. The relationship in this case depends on the cost and benefits of the relationship. If the cost is more than the benefits of relationship then the rela-

tionship may get severed. But if the benefits are more than the cost of the relationship, the relationship could continue in future. This relationship is also based on a threat and reward system, where a trustor may be able to reward a trusted for observing the appropriate behavior contributing towards trust. However, if the trust is violated then the trustor would be able to use some kind of threat against trusted imposing certain penalty on the trusted.

In calculus based trust, the condition of observance of trust is that both the branch manager and loan officer should value the benefits of trust in relationship to be more than loss due to discontinuation of relationship. The perceived benefit of trust relationship between branch manager and loan officer could be improvement in lending performance of the branch that may occur due to trust between branch manager and loan officer. The perceived cost of not developing a trust relationship could be deterioration in the lending performance of the branch. If the perceived benefit of trust is more than perceived cost due to lack of trust, branch manager and loan officer would be motivated to enter into a trust relationship.

The theoretical framework of Lewicki and Bunker (1996) and Lewicki et al. (2006) further suggests that calculus based trust relies on a threat and reward system. The trusting branch manager should be able to reward a trusted loan officer for observing appropriate behavior attributed to trust relationship. However, if trust is violated then the branch manager should be able to use some kind of threat against loan officer imposing certain penalties on loan officer. In the case of a branch manager loan officer relationship, the branch manager, as the supervisor of the loan officer is able to monitor the behavior of the loan officer effectively. If the loan officer violates the trust of the branch manager in any way, the branch manager could use some threats or deterrence on loan officer. Whether any deterrent action will be effective in influencing the behavior of the loan officer would depend on the authority and ability of the branch manager to use the deterrent action.

2.2. Knowledge based trust. This is the second stage of trust when the trustor and trusted have remained in a trust relationship for some time and had the opportunity to observe each other's behavior and develop some knowledge about each other. This development of knowledge about each other's behavior helps in predicting how the other person will behave in the relationship. Knowledge based trust is developed through availability of information about each other's behavior and is based on previous relationship. Knowledge based trust relies on information and knowledge about the other person. The

information is obtained and knowledge developed over a period of time over which the trustor and trusted interact with each other, observe each other and form an opinion about what to expect from each other. This trust develops over time largely as a function of the parties having a history of interaction (Lindskold, 1978).

In the context of a branch manager-loan officer relationship, knowledge based trust results after the branch manager and the loan officer have started a trusting relationship in a work environment and remained in that relationship with each other for some time. If they are working in the same place, as they usually do, then they have occasions and opportunity to develop knowledge about each other's behaviour, have social and business interaction with each other and other persons in the branch. They can develop knowledge about the way in which other person would behave in the lending situation. This knowledge can then be used to predict the behavior of the other. The other party would anticipate the reaction of the first party and would act in the relationship according to the anticipation. In particular, knowledge based trust is relevant for the loan officer. By observing the behavior of the branch manager over a period of time, the loan officer should be able to anticipate branch manager's probable reaction to a lending situation. The knowledge developed enhances the predictability and leads to actions that help in acting according to the requirement of the branch manager. If the prediction leads to action acceptable to the branch manager, then the trust is likely to grow between the branch manager and the loan officer.

2.3. Identification based trust. Identification based trust is the third stage of trust when the trustor and the trusted have known each other for a long time and have developed a trusting relationship. In this stage the trustor and trusted develop an understanding of each other, know about each other's needs and are ready to fulfil each other's needs in a trusting relationship.

In the context of a branch manager-loan officer relationship, the identification based trust is developed after a certain period of time when both the players have remained in the relationship for some time observing each other's behavior, preferences, likes and dislikes over a period of time. The knowledge is developed about each other by directly working with each other or through second order knowledge from other people in the branch or business. In this stage, the loan officer will try to identify himself/herself with the action of the branch manager. The loan officer will be able to anticipate the action or the choice of the branch manager to a particular lending situation and would act according to the perceived choice of the branch manager. The branch manager

in this stage will want to delegate some of his authority to loan officer for decision making with the understanding that the loan officer would take actions perceived to be right actions by the branch manager. The branch manager may allow loan officer to take decisions on some loan applications on his/her own in the absence of the branch manager with the understanding that the branch manager would confirm the actions of the loan officer later on. This is beneficial to both the branch manager and the loan officer because the decision can be taken and implemented quickly when the branch manager is not available. The loan officer has the opportunity to take the decisions, exercise the authority of the branch manager and is able to demonstrate his/her identity towards the branch manager. Any wrong action on the part of loan officer in delegation can be very detrimental to the relationship resulting in severe action against the loan officer. This could lead to the end of mutual trust.

This study, using the theoretical framework of Lewicki and Bunker (1996) on stages of trust development described above, attempts to answer how branch managers and loan officers may start their relationship and how the trust between branch managers and loan officers may develop over a period of time. In answering these questions, it examines whether the relationship between branch manager and loan officer observed in this study follow the theoretical model of trust development. The next section of this paper describes the methodology used in this research to collect empirical data on trust development between branch manager and loan officer of bank branches in India.

3. Methodology

A qualitative research method is used in this study as it focuses on the trust relationship between branch managers and loan officers of Indian bank branches where cultural, social and political factors are influential in defining relationships between parties. The effect of these factors on the relationship between branch managers and loan officers cannot be measured quantitatively but can be understood by using a qualitative interpretive research design. Therefore, using a qualitative case study approach, this study attempts to capture the nuances of the relationship between branch managers and loan officers. This approach is considered suitable because this research involves in-depth study of the stages of trust between branch managers and loan officers. Case study approach provides the ability to understand the path and mechanisms and to investigate the interaction between branch managers and loan officers in the real life setting of bank branches. The study of multiple cases provides the opportunity for comparison between theory and observed beha-

vior between cases. This comparison helps in associating cause and effect relationship between variables that influence the relationship (Yin, 2003). The purpose of using case study method is to explore the stages of trust development between branch manager and loan officer and to enrich and extend the model of Lewicki and Bunker (1996, 2006).

The data for this study was collected from eight bank branches in India, selected on the accessibility of branch managers and loan officers and their desire to participate in the study. Although this number is not a representative of huge Indian banking industry with so many bank branches all over the country, it is considered adequate for the purpose of the sample because the purpose of this study is to conduct an in-depth analysis of several cases. An examination of eight cases is expected to provide support for this study's propositions. According to Yin (2003, p. 48), "the ability to conduct 6 or 10 cases, arranged effectively within a multiple case design would provide compelling support for the initial proposition." The eight case studies in this research provide sufficient evidence on stages of trust development between branch managers and loan officers. The in-depth interviews conducted to gather data for study enable researchers to carry out a thorough investigation of the relationship and interaction between branch managers and loan officers of Indian bank branches. The interviews were conducted using a semi-structured format as the interviewees are experts in their subject. The interviewees were allowed maximum opportunity to give their own perceptions on questions asked. The advantage in using semi-structured format of interview is that the researcher can collect detailed perceptions from interviewees about a particular question and the researchers can follow an interesting topic which may emerge during the course of interview (Smith, 1995).

The data was analyzed using the pattern matching technique developed by Troachim (1989). Pattern matching links and relates theory with observed data. Theory predicts the relationship and the observed data are matched with the chosen theoretical model. In this study, framework of stages of trust development proposed by Lewicki and Bunker (1996) constitute the theoretical realm. The theoretical constructs are then related to the observed pattern on the stages of trust development between branch managers and loan officers. Furthermore, NVivo, qualitative data analyzis software, was used to analyse the data collected through interviews in eight different cases. Each case represents one branch and interviews of branch managers and loan officers were recorded for each branch. These cases

are then analyzed using NVivo following a number of steps. First, each case was analyzed individually through a "within case analysis" as it helps in resolving the complexities of each case and helps to observe the unique insights and patterns that each case data offers. Next, cross case analysis was done across all cases through a variable analysis. The group of cases are compared based on common attributes and common codes observed using NVivo. For example, the stages of trust development between branch manager and loan officer are compared across different cases. The purpose is to understand the common factors across different cases and also to understand the reasons for any outliers. These common factors across cases help in identifying the characteristics of three stages of trust development between branch managers and loan officers (Yin, 2003).

4. Analysis of results

4.1. Onset of trust. As mentioned previously, the first research question of this study is to examine how the trust between branch manager and loan officers of bank branches in India begins. There are different approaches in the literature on how trust may begin between trustor and trusted. Blau (1964) and Rempel et al. (1985) assume that trust begins at zero base line and develops over a period of time. The assumption of zero initial trust is contradicted by Kramer (1994) and Meyersen et al. (1996). Meyersen et al. (1996) suggest that people could start a relationship with high initial level of trust. In the relationship between branch manager and loan officer, it was observed that only in 2 out of 8 cases, there was an initial trust between branch manager and loan officer. In all other cases trust between branch manager and loan officer started at zero level. In two cases there was an initial trust at the beginning of relationship because both branch manager and loan officer had a previous history of working together in a previous work relationship. In all other cases, the relationship started with zero initial trust because branch managers and loan officers did not have any history of working together. They were placed in the situation due to job requirements and hence started development of trust only after being placed in a particular situation. However both branch manager and loan officers in these cases of zero initial trust had pre-disposition towards trusting each other which helped them in the development of trust. This pre-disposition was demonstrated by their willingness to trust each other.

Similarity was identified as the factor between branch manager and loan officer which contributed to the start of trust relation between them. Similarity in personal qualities such as dealing with customers and attitude towards customers and similarity in pre-vious work experience in lending situation contributed to a good understanding of lending environment in the current branch, resulting in the start of trust. Similarity in ethnic background between branch managers and loan officers also helped in contributing to the start of trust and subsequent development of trust between branch manager and loan officer.

4.2. Stages of trust development. The second research question of the study is to examine how the trust between branch manager and loan officer develops in multiple stages over a period of time. The theoretical model of stages of trust development suggests that trust between branch manager and loan officer may develop in stages. Lewicki and Bunker (1996) and Lewicki et al. (2006) have suggested three stages of trust development as calculus based trust, knowledge based trust and identification based trust. But not every relationship follows the three stages of trust described in the literature. Some relationships do not go beyond the first stage of calculus based trust or the second stage of knowledge based trust. The following sections analyze the relation between theoretical model and empirical observation on the three stages of trust between branch managers and loan officers of bank branches in India.

4.2.1. Calculus based trust. From the responses on eight cases, it was observed that calculus based trust is very relevant to branch manager-loan officer relationship. The initial relationship between branch manager and loan officer is that of a calculus based trust because both the branch manager and loan officer realise that there is a benefit in developing trust and there is a cost of not developing trust.

Analysis of responses on eight cases suggests that trust between branch manager and loan officer follows the theoretical pattern of three stages of trust development. Calculus based trust is the first stage of trust. However, unlike theory which suggests that trusting relationships are usually voluntary, the relationship between branch manager and loan officer is not always a voluntary association. Although some branch managers and loan officers may start their relationship voluntarily, in most cases both the branch manager and loan officers are thrown into the relationship involuntarily. While a branch manager, sometimes, may have a choice to pick a loan officer from among the officers working at the branch, the loan officers are usually assigned to the task based on a branch's policy of job rotation. In such a case, the branch manager may not have a choice to get a loan officer of his or her own choice. A loan officer, on the other hand does not have a choice of selecting a branch manager he or she would like to work with. Officers have to accept the placement of a position they are assigned by the organizational set up.

The empirical observation across cases suggests that the branch manager and loan officer start their relationship based on their prior history of working with each other only in 2 out of 8 cases. In these cases the branch manager selected the loan officer based on their previous association with loan officer in a work situation. In all other cases the relationship started at the branch. Although in the cases where branch managers and loan officers did not have a prior history of working together, a propensity to trust each other was observed to be the motivating factor in the initiation of trusting relationship.

4.2.1.1. Cost and benefits of trust. In empirical observation on cases, it was found that cost of trust relationship between the branch manager and loan officer is the adverse effect that lack of trust may have on the lending performance of the branch. The benefit of the relationship is determined by the improvement observed in the lending performance of the branch resulting from the trust relationship between the branch manager and the loan officer. In all cases analyzed in the study, at the time of entering into relationship, the branch manager and loan officer often realise that the benefits of trusting relationships in terms of improvement of lending performance of the branch is more than the costs. Since the objective here is to improve the lending performance of the branch, developing a trusting relationship is considered prudent by both parties. The cost and benefits of trust relationship are related to the objectives of the organization determined by growth of lending business of the branch. The development of a trust relationship between branch manager and loan officer is considered as the best way to achieve this objective.

4.2.1.2. Threat and reward system. From the response on cases, it was observed that the attitude of most loan officers towards a possible use of threat by branch manager was that the use of threat could prove to be counter-productive and would have a demoralizing effect on loan officer, resulting in breakdown of trust. As quoted by a loan officer, "reward may improve trust but threat will decrease trust and will create problems'. Similarly, the inability of the branch managers to reward the loan officers for observing the trust was generally accepted by the loan officer. The loan officers understood the boundaries of the organizational set up in giving any rewards and did not expect to be rewarded outside the organizational rules. As quoted by a loan officer, "No rewards can be given outside the organisational rules".

4.2.2. Knowledge based trust. In the eight cases observed empirically, the trust between branch manager and loan officer grew from calculus based trust to knowledge based trust after the branch manager and loan officer continued in the relationship for some time. However, in one branch, there was a strained relationship between the branch manager and

the loan officer previously and it took long time to come from calculus based trust to knowledge based trust for the branch manager and the loan officer. In all other branches the relationship grew smoothly from calculus based trust to knowledge based trust and then to identity based trust.

In all eight cases, the loan officer and the branch manager observed each other's actions on the job and accumulated information about each other's actions through their interaction on the work and also through social interaction. The knowledge about each other was developed directly through on the job interaction, social interaction and also indirectly by obtaining information through secondary sources such as other staff members and customers of the bank. The knowledge so collected helped both the branch manager and loan officer in predicting the behavior of the other and developing their trust relationship further.

4.2.3. Identification based trust. In the relationship between branch manager and loan officer, identification based trust started after both branch manager and loan officer have been in the relationship for some time. During this time they had the opportunity to observe the behavior, preferences, likes and dislikes of each other. The knowledge developed also helped in predicting the behavior of the other in possible lending situations. The knowledge between branch manager and loan officer developed through direct contact with each other in work situations and also through parties such as other staff members and customers with whom both branch manager and loan officer come in contact during the course of business.

4.2.3.1. Delegation of authority. The responses obtained on eight cases suggest that branch managers and loan officers developed identification based trust after some time when they had remained in a trusting relationship for a while. They developed knowledge about the actions, choices and preferences of the other party by working with each other and by observing each other directly. The second order knowledge through other people such as other staff members in the branch and through customers was also very important in most of the cases for development of identification based trust.

From the responses analyzed, it is observed that delegation of authority by branch manager to loan officer was an important issue in building identification based trust between branch manager and loan officer. Particularly, in one case the loan officer stressed the need for delegation by saying "delegation is important. It increases trust". In another case, the loan officers considered the delegation of authority by branch managers as demonstration of trust by the branch manager in loan officer. The loan officers saw delegation as a motivation for development of trust by the branch managers.

It is observed that the delegation of authority by branch managers to loan officers in the third stage of identification based trust was not uniform. Each branch manager had different approach to delegation of their lending authority to loan officer and every branch manager insisted that delegation was only for certain specified functions. All delegations were, however, subjected to subsequent confirmation by the branch manager and also subject to Head office guidelines for such delegation.

The delegation of lending authority by branch manager to loan officer occurred in different ways. For example, branch manager delegated authority on loan disbursement, on completion of paper formalities or documentation and on allowing sanction of specified categories of loans within a specified range. The specified loans usually covered loans against deposits, loans against government bonds, secured loans, consumer loans and salary loans.

These loans are usually less risky loans. Authority was also delegated for limited loan facilities to existing loan customers with line of credit and previous dealings with the branch. Lending authority was not delegated by branch managers to loan officers on loans to new customers or on unsecured loans which are perceived to be more risky.

The ranges up to which branch managers wanted to delegate their lending authority varied from 10 per cent of secured loans in one branch to 50 per cent of secured loans in another branch. Complete delegation as stipulated in the theory was not observed in practice. Branch managers kept most of the lending authority to themselves, delegating only a limited authority to loan officers. In all cases the branch managers insisted that even when authority was delegated to loan officer, the loan officer was required to consult branch manager before exercising the delegated authority. Any delegation was made only within institutional rules and subject to confirmation by the branch manager. Although branch managers were willing to take some risk by way of delegation of authority to loan officer, the risk was not taken outside the institutional rules of their organization. As such, the delegation of authority was found to be limited despite the growth of a trusting relationship between branch manager and loan officer. Figure 1 illustrates the stages of trust developments in banking relationships as observed in this study.
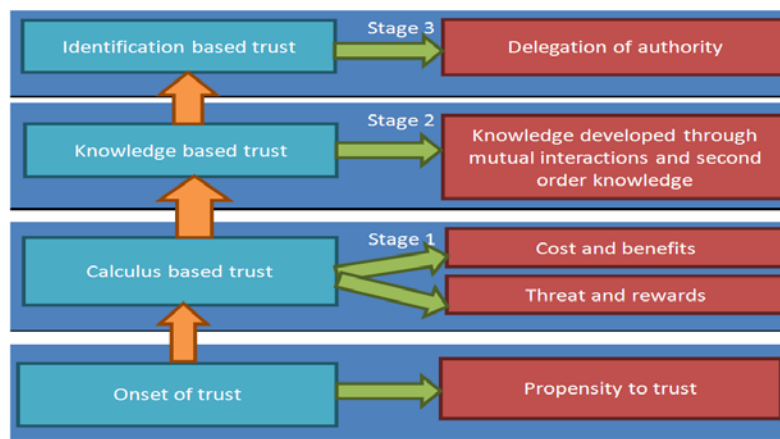
Source: Adapted from Lewicki and Bunker (1996 and 2006).

Fig. 1. Stages of trust developments in banking relationship

Conclusions

Using empirical data, this study attempts to answer two research questions. First, how the trust between branch manager and loan officer begins? Second, how the trust between branch manager and loan officer develops in multiple stages over a period of time? It utilizes a case study method to study the trust development between branch manager and loan officer and seeks to enrich and extend the three stage model of Lewicki and Bunker (1996) by exploring the mechanisms for trust development between branch manager and loan officer. In regard to first question of how trust between branch manager and loan officer begins, empirical observation suggests that only in two out of eight cases, the branch managers and loan officers had a previous history of associa-

tion between them. In all other cases, the relationship started only at the branch level. Although there was no initial trust between branch manager and loan officer in most cases, both of them had the propensity to trust each other in relationship which led to further development of trust.

In regard to second question of how the trust between branch manager and loan officer developed in multiple stages over a period of time, it was observed that trust between branch manager and loan officer developed in three stages – calculus based trust, knowledge based trust and identification based trust – as suggested by the theoretical model of Lewicki and Bunker (1996). A comparison between theoretical model Lewicki and Bunker (1996, 2006) and the present study is given in Table 1.

In conclusion, it is found that the theoretical model of Lewicki and Bunker (1996) and Lewicki et al. (2006) utilized in this study for its analysis is adequate to describe the development of multiple stages of trust between branch manager and loan officer. However, it is observed that a further improvement to this model can be suggested based on empirical observations of this study. First the situational dimension of start of trust is an important issue as trust may not always start voluntarily. Second, in the stage of calculus based trust, cost and benefits could be determined in various ways. In the present study, benefits were determined in terms of improvement in lending performance and cost measured as decrease in lending performance due to lack of trust. Also, the notion of threat and reward for not observing or observing the trust is context specific. Threat and reward system can be used only within organizational rules, boundaries and limits. Further, delegation of authority from trustor to trusted is important in identification based trust. Delegation is given subject to constraints of organizational rules. Complete delegation does not occur.

Table 1. Comparison of theoretical model of Lewicki and Bunker with current study

	Lewicki and Bunker (1996) Lewicki et al. (2006)*	Current study
Onset of trust	Trust may begin at zero or even above zero. Parties begin their encounter with formation of calculation based trust.	Trust starts at zero level in most cases as trust between branch manager and loan officer is situational. Start of trust may depend on prior history of working together, similarity and propensity to trust.
Calculus based trust	Calculation of outcomes resulting from creating and sustaining a relationship relative to cost of maintaining and severing it.	Calculation of cost and benefits determined in terms of lending performance and organisational goals by branch managers and loan officers. Threat and reward can be used only within organizational goal, rules and limits and not considered very significant for continuation of relationship.
Knowledge based trust	Knowing the other sufficiently well so that the other's behavior is predictable.	Knowledge is developed for predicting other's behaviour through direct interaction on the work, social interaction and indirectly by obtaining information from secondary sources such as colleagues and customers.
Identification based trust	Identification with the other's desire and intentions, mutual understanding so that one can act for the other.	Identification occurs after knowledge is developed. Branch manager delegates authority to loan officer, who can act for branch manager as delegated. Delegation is considered as a demonstration of trust by branch manager towards loan officer. However, delegation is subject to subsequent confirmation by branch manager and subject to organisational guidelines. Complete delegation or substitution of branch manager by loan officer does not occur. Delegation given subject to rules of the institution.

Source: Adapted from Lewicki et al. (2006, p. 1007-1011).

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