Chapter 1

Global E-Government and the Role of Trust: A Cross Country Analysis

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**ABSTRACT**

Using cross-country data from 140 countries, this empirical study extends past research by examining the impact of trust on the level of e-government. The major empirical finding of this research shows that, after controlling for the level of economic development and other socio-economic factors, trust as measured by ethnic and religious diversity, is a significant factor affecting e-government usage.

**INTRODUCTION**

In today’s global economy, a country’s level of e-government, or the use of the Internet and other communication technologies to provide government services, has emerged as an important policy tool for government. Recent studies indicate that the use of e-government is growing throughout the world (Mossberger, Tolbert, and Stansbury, 2003 and Larsen & Rainie, 2002). Formally defined as “the delivery of government information and services online via the Internet or other digital means” (West 2000, paragraph 7), e-government offers many benefits to its major stakeholders. Implemented properly, it can be a cost effective method to deliver public services which can result in significant gains for the national economy. Through the Internet a government can provide information and allow citizens, businesses, and other governments to make a wide variety of transactions and to participate in various forums. E-government initiatives foster competitiveness by ensuring the integration of countries into the global community. A country that engages in e-government signals to the international community that it is open, transparent, and efficient, and creates an environment conducive to its users
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by streamlining procedures and providing easy access to a variety of public services (Thomas & Streib, 2003 and Peterson & Seifert, 2002).

Given its value to a country both in regard to domestic and international relations, it is important to understand the factors that encourage the use of e-government. To date, the majority of e-government research studies are narrowly defined case studies which are qualitative in nature (Devadoss et al., 2002 and Ke & Wei, 2004). In regard to quantitative research, the primary focus has been on the availability of technical infrastructure and its usage at a country-level, while others have considered how digital technology and online services allow citizens to accomplish tasks easily (West, 2000 and Steyaert, 2004). Broader studies by West (2003) and United Nations Department of Economic and Social Affairs (UNDESA) (2003) have explored how the use of the Internet and other digital communication technologies transforms the role of the government in regard to the level of economic and human development. However, only a few recent studies such as Kovačić (2005) and Rose (2005), have explored which factors drive the level of e-government within a country. These studies have found that several “hard”, socio-economic and institutional factors such as freedom of expression, civil rights, level of development, and infrastructure significantly affect a country’s e-government usage. However, little to no research has considered “soft” factors such as trust which can also impact the successful implementation and adoption of e-government.

Many researchers have considered trust as a dimension of “social capital” or “civil society”. In particular, Putnam (1995, pg. 67) defines social capital as the “…features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit”. Persell et al. (2001, pg. 206) describe the qualitative dimension of civil society as the “…social attitudes such as loyalty and trust, social practices such as civility and cooperation, and the health and safety of its members.” Further, Leana and van Buren III (1999, pg. 538) define the term “organizational social capital” as “…a resource reflecting the character of social relations within the organization, realized through members’ levels of collective goal orientation and shared trust.”

Regardless of how this social dimension is defined, a substantial number of studies have found evidence that higher levels social capital, which includes trust, is a catalyst for greater economic growth, development, and prosperity at the institutional, firm, and country-level. Specifically, at the country level, Knack and Keefer (1997) find that higher levels of social capital, as defined by trust and civic norms, lead to greater economic performance. Further, Coleman (1990), Putnam (1993), and Fukuyama (1995) all theorize that social capital, largely defined as trust between social groups, can significantly affect growth and economic success at the institutional level and Tsai and Ghoshal (1998) find that higher levels of social capital and trust significantly and positively affect product innovation at the firm level. Finally, Alesina and La Ferrara (2002, pg. 212) state “…a small but growing literature stresses that measures of ‘trust’ strictly defined or broader measures of ‘social capital’ are associated with effective public policies and more successful economic outcomes.”

In regard to trust and communication, Granovetter (1973) states that based on social network theory, trust can be transferred to channels of communication which now include e-government. Trust can play an important role in facilitating the development of e-government within a country as any digital medium is a social platform through which individuals interact or transact with other citizens, businesses, or governments. Moore (1999) and Maskell (2000) have cited trust as an important factor in the development of new ideas and a prerequisite for any successful technological change as trust ultimately influences whether innovative ideas and new forms of communication are able to flourish. Further, Volkens (2002) states that trust can be viewed as a cultural resource that facilitates innovative actions. Since e-government