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## Sensitivity of bank employees towards professional ethics

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### Abstract

The number of ethical questions that the banking fraternity faces are many and multifaceted but in a broader perspective an ethical bank are expected to have a policy that considers those questions that 21<sup>st</sup> century globalization and the social and environmental issues thereon poses. Consequently, the banks have their set of professional ethical norms in accordance to Banking Codes and Standard Board of India (BCSBI) and it is greatly expected that the employees duly comply them. The banks have pointed that they will have zero tolerance if any employee breaches the code of conduct and ethics. Indecent or discourteous behaviour of any employees with customers, colleagues, superiors etc., failure of due diligence in any transactions to avoid any possibilities of a fraud or money laundering, theft or pilferage or any dishonest act, involvement in any act in the area of corruption, misuse of office, criminal offences, suspected or actual fraud etc. will call for severe disciplinary actions by the banks. This paper attempts to highlight the perception of bank employees towards certain crucial aspects concerning banking ethics, viz; whether unethical practices have led to bank frauds; does greed amongst the bankers has resulted into the number of bank forgeries; reporting of suspicious activity by the employees; compliance with the code of ethics; and imparting of behavioural training to the bank employees.

**Keywords:** Banks, bank employee, ethical standards, BCSBI, and disciplinary actions

### Introduction

Ethical behaviour builds trust, trust builds confidence and confidence builds profitable business relationships with customers, suppliers, employees, creditors, and the general public (Bhalla and Ramu, 2006) <sup>[1]</sup>. Personal Ethics has a great influence on an individual's professional life. An individual has her or his own code of personal ethics which is eventually developed at home, at school, at religious houses and lately are also influenced from the media. An individual who has a strong sense of personal ethics is quite unlikely that he will deviate from it and indulge into unethical activities. In a nutshell, professional ethics is not independent of personal ethics (Hill and Jain, 2010) <sup>[4]</sup>. Hurst (2004) <sup>[5]</sup> strongly stated that the rising questionable behaviour of the employees and the executives imposes crucial questions as to how the corporate ethics can be improved to eliminate such misconduct from a business house.

Adam (2012) opines that once a person joins the bank and gives his acceptance to the job offer he then has to mandatorily abide by the bank's code of conduct and professionalism. Failure on the part of the newly appointed employee to act accordingly will invite strict action or even penalty. Flint (2013) <sup>[3]</sup> asserted that the banks should regularly carry out surveys, appraisals and mystery shopping to test good and bad behaviour, to make sure employees understand what is expected of them and to understand what drives customer loyalty. Companies should also be able to provide "evidence" for how "ethics and values are taught and reinforced", such as "rewarding those who escalate their concerns." Dutta (2013) <sup>[2]</sup> stated that good employee behaviour also helps in generating business for banks. A satisfied customer in terms of bank service as well as cordial behaviour from the banker remains loyal to the organisation even if they have to pay more in comparison to other banks. A customer may even shift his bank account if he encounters any negative experience with the banker. Technology has undoubtedly helped in raising the level of customer satisfaction but ultimately it is the employee's commitment towards their service and better professional behaviour which helps for building up a congenial relationship with the customers.

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Messick and Bazerman (1996) [9] affirmed in their study that sometimes people do not even realise that they have committed an unethical doing simply because they fail to question themselves whether their act or decision is correct or not. Bhalla and Ramu (2006) [1] further referred that the key reasons for unethical behaviour are- immediate gratification, self-fulfillment and short – term return. The employees are usually perplexed in the mid-way between corporate goals for growth and profit and how to accomplish it by being ethical.

**Objectives of the Study**

The main objectives of the study are;

1. To study about the ethical behaviour of Indian commercial banks;
2. To analyse whether training on professional ethics is imparted to the employees;
3. To examine the disciplinary actions taken by the banks in case of non-compliance of the ethical standards by its employees; and
4. To make a comparative analysis of the perception of public and private sector bank employees regarding banking ethics.

**Table 1:** Selected branches of the concerned banks

Sl. No	SBI	Branch Code	CBI	Branch Code	HDFC Bank	Branch Code	Axis Bank	Branch Code
1.	Chenikuthi Branch	007976	Regional Office Branch	281152	Chandmari Branch	000631	Zoo Road Branch	001298
2.	Panbazar Branch	010756	Six Mile Branch	284213	Khanapara Branch	000757	Silpukhuri Branch	001442
3.	Rehabari Branch	013294	Ulubari Branch	283200	Noonmati Branch	000758	Hatigaon Branch	002181

Out of these 50 employees each from public and private sector banks has been selected, where from 48 employees from the public sector and 47 employees from the private sector banks responded back.

A set of structured questionnaire consisting of multiple choice (Likert five point scale), multiple choice questions and close ended questions (i.e. in ‘yes’ or ‘no’ pattern) were served upon the bank employees by applying random sampling technique. Some essential information has been acquired by the researcher’s own structured observation in the bank premises.

**Ethical Behaviour of Banks**

Banking ethics in general can be described as honesty, impartiality, trustworthiness, compatibility and transparency. This can be further elucidated as:

- **Honesty:** Banks must be honest to their customers, employees, shareholders, competitors and the other organizations that they are in touch with.
- **Impartiality:** Banks should not differentiate between the customers and the employees or between any of the stakeholders.
- **Trustworthiness:** Banks must carry out all their activities timely, precisely, accountably, accurately and inform their clients accordingly.
- **Compatibility:** Banks must carry out all their activities in accordance to the banking rules and regulations.
- **Transparency:** Banks must give clear and easily understandable information about their products, services, risks and benefits to their customers.

**Research Hypothesis to Be Tested**

**H<sub>0</sub>:** There is no significant difference regarding the perception of public and private sector bank employees regarding banking ethics.

**H<sub>1</sub>:** There is significant difference regarding the perception of public and private sector bank employees regarding banking ethics.

**Research Methodology of the Study**

The study is an *ex post facto research* where an attempt is made by the researcher to know the bank employee’s perspective towards their professional ethics. The study is carried out in the city of Guwahati and only the commercial banks have been considered for the study. Two public sector banks (viz; State Bank of India and Central Bank of India) and two private sector banks (viz; HDFC and Axis bank) have been randomly selected by lottery method from the sampling frame.

The following is a diagram depicting the determinants of ethical behaviour amongst the employees of an organisation:



Source: Hill and Jain, 2010 [4]

**Fig 1:** Determinants of Ethical Behaviour

**Fair Dealing and Responsibilities to Customers**

Banks are expected to deal fairly with their customers, competitors, suppliers and teammates.

- Unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of facts or any other unfair-dealing practice.

- Bribes, kickbacks, promises or preferential extensions of credit should neither be accepted nor given.
- Orders, contracts and commitments based on objective business standards to avoid favoritism or perceived favoritism should be approved or awarded.
- Conspiracy in any way with competitors must not be done.

Banks encourage its employees and staff to promptly report if they encounter or notice any unethical behaviour or activity which they believe to be:

- A crime,
- A violation of law or regulation,
- A dishonest act, including misappropriation of funds or anything of value, or the improper recording of organization's assets or liabilities,
- A breach of trust, and
- Any other circumstances or activities that may conflict with the banks' code of ethics.

### Training on Professional Ethics

There are some universal human values which need to be sermonized and followed by the professionals for building a congenial and ethical work place. In order to manage a diverse workforce as people with different cultural, social, religious background comes to work together it becomes essential to impart effectual training on ethics and inculcating corporate values through effective training not only at the time of induction but throughout their professional life. Ethics training should put together rules and value-based training as it will guide the employees at the time of ethical dilemmas when there is an ethical calling. At the international stratum a number of firms are hiring ethics officers who act like internal ombudsperson. They are given the onus to make a scrutiny that all the employees are trained to be ethically responsive and strictly adhere to the organisation's code of ethics (Hill and Jain, 2010) [4]. Bhalla and Ramu (2006) [1] opined that emphasis on education and training in corporate ethics has been given due importance by many organisations to be an integral part for ensuring compliance with the business standards for conduct. Ethics workshops and training courses can assist the employees to find solutions at the time of ethical dilemma. In order to resolve any ongoing ethical issues these forums can be quite helpful.

With the Indian banking shifting gear from vanilla banking to multi-specialist banking, in tune with the trends of differentiation and specialization, the Khandelwal Committee (June, 2010) believed that the gaps in many of the skills would need focused attention on the part of bank managements. Developing talent pool for different areas of skills will thus be the foremost concern for the training systems of banks.

It has been observed from the study that both the public and private sector banks under the study conducts different training on various banking issues like credit management, compliance and risk management, management development programmes, soft skill development programmes, HR skill, priority sector financing, programme on inspecting officers and internal auditors of banks, NPA management, monitoring and recovery management etc. Even though the banks carry out behavioural training programmes, issues relating to ethics and its practice in banking consist only few sessions within the training

programme. No exclusive training is given to the Indian bankers regarding banking ethics.

Thorough training and motivation programmes should be designed for the customer-facing staff so that they are able to professionally deal with the customers so that they understand customer service principle and stand to the customer's expectation. The managers and bank staff must also be trained on behavioural psychology so that they develop expertise skill in dealing with various classes of customers. The bank staff needs to be trained to adopt the best banking practice in product development, management information, stakeholder management, bank customer demand, operational efficiency, team building and performance metrics etc. The bank's senior officers ought to be trained to access and improve their ability to function as high performing units.

### Disciplinary Actions Taken By the Banks

Banks will take all the necessary action on the violation of the professional behaviour by any of its employee. However, the action will depend upon the nature and seriousness of the non-compliance of the standard.

These actions can be divided into Cautionary Action, Deterrent Action and Capital Action.

### Types of Action against the Defaulter of the Bank's Code

The following are the three main types of action against the defaulter;

#### (i) Cautionary Action

- Condoning, advising, warning, censuring, etc
- Imposition of fine
- Suspension from employment for a certain period of time
- Adversely impacting annual performance rating
- Withholding of increment
- Withholding of performance linked bonus / incentive (partly)

#### (ii) Deterrent Action

- Recovery of full / partial monetary loss caused or likely to be caused to the Company
- Suspension from employment for a certain period of time
- Withholding of increments
- Withholding of Performance linked bonus / incentive
- Withholding of promotion
- Demoting to the lower grade or level
- Reduction in basic salary

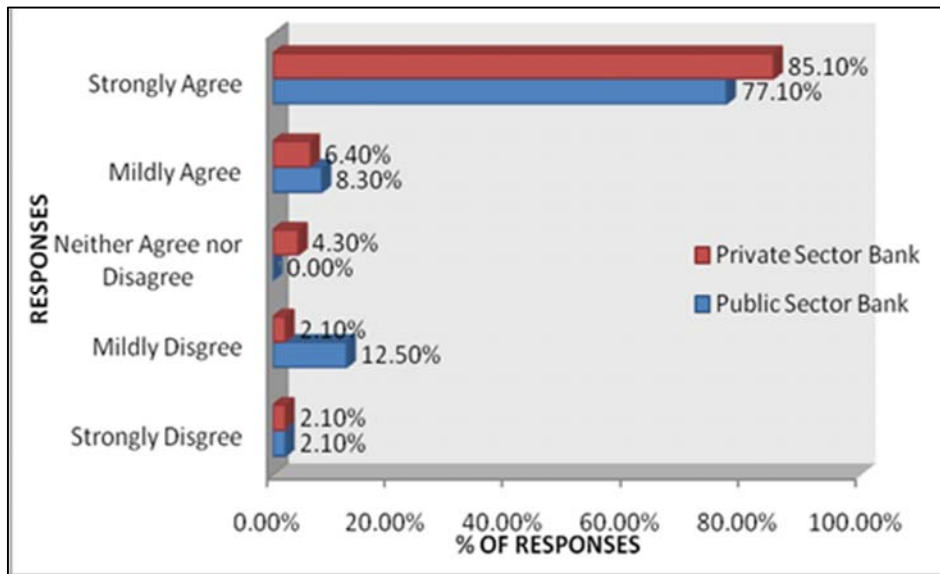
#### (iii) Capital Action

- Termination of services
- Dismissal from services

### Analysis of Data

For analyzing the data Chi-square test  $\chi^2$  is applied (by using SPSS statistical software, version 20) as the study is qualitative in nature and the test is done at 5% level of significance. The researcher has applied bar diagram to give a graphical representation of the data.

**1. Unethical practices have led to bank frauds**



Source: Field Survey, June-July 2012

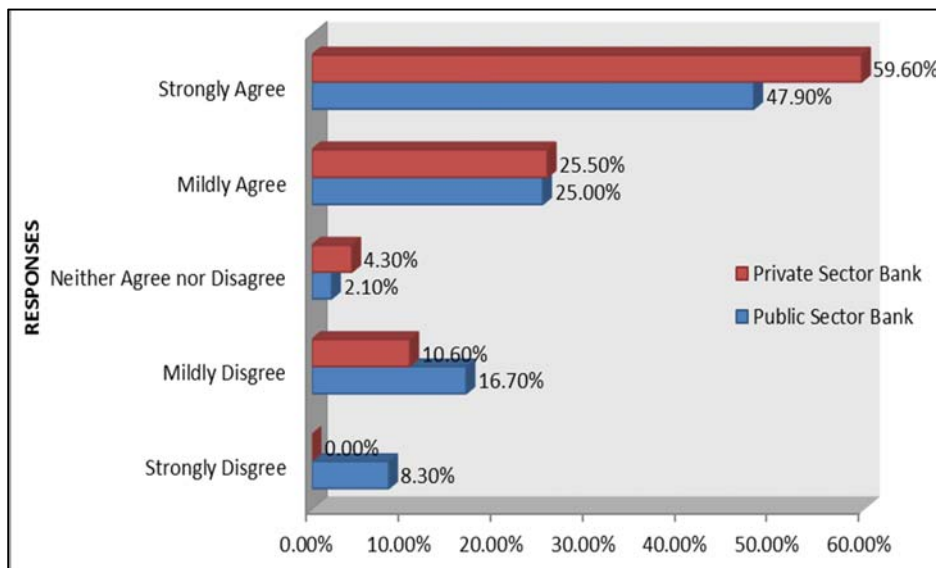
**Chart 1:** Unethical practices have led to bank frauds

77.10% employees of public sector banks while 85.10% employees of private sector banks agreed strongly to the statement that unethical practices have led to bank fraud. Yet, 8.3% of private sector banks and 6.4% of the public sector banks were mildly supportive to the above statement; only 2.1% of private sector bank and 12.5% of the public sector bank had mildly disagreed the same. The responses to

the question by the employees to the above statement were same irrespective of the bank at which they worked.

$$(\chi^2 = 5.821, df = 4, p=0.213)$$

**2. Greed among the bankers has resulted into number of bank forgeries**



Source: Field Survey, June-July 2012

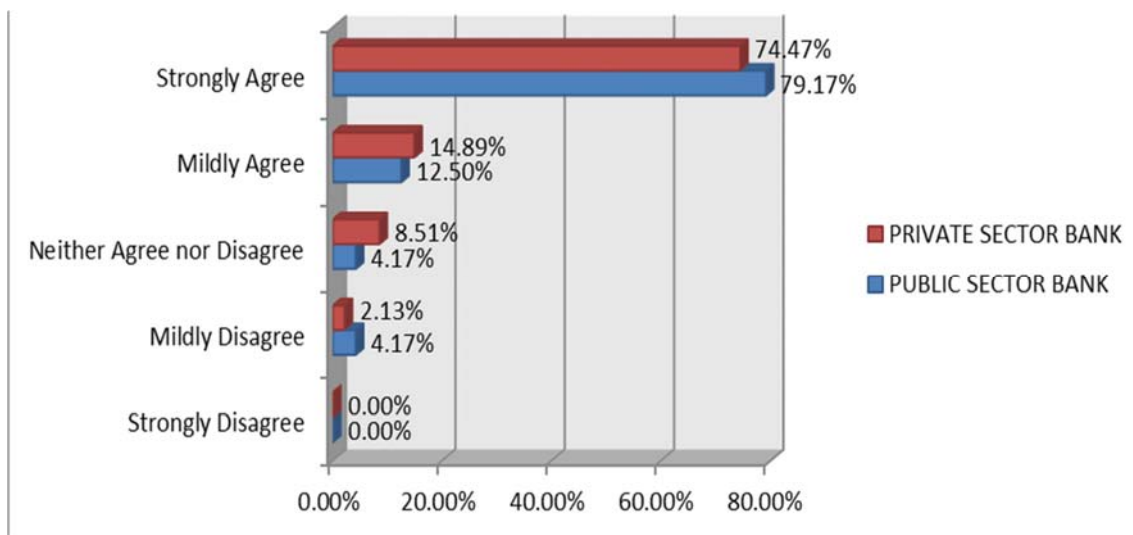
**Chart 2:** Greed among the bankers has resulted into number of bank forgeries

47.90% employees of public sector banks while 59.6% employees of private sector banks respectively had agreed strongly to the statement that greed among the bankers has resulted into number of bank forgeries. Though, 25.5% employees of private sector banks and 25% of the public sector banks had mildly agreed to the above statement. Only 10.6% of public sector banks while 16.7% of private sector

banks had mildly disagreed. The responses of the employees were found similar irrespective of the banks at which they worked.

$$(\chi^2 = 5.506, df = 4, p=0.239)$$

**3. Bank officials should be encouraged to report immediately if they observe any suspicious activity**



Source: Field Survey, June-July 2012

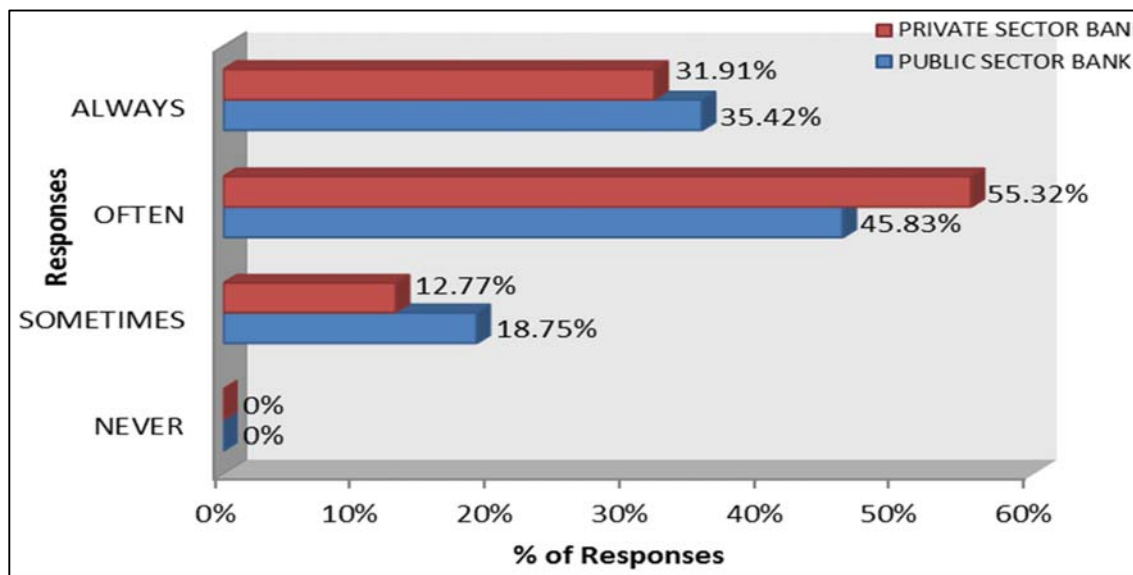
**Chart 3:** Bank officials should be encouraged to report immediately if they observe any suspicious activity

79.17% employees of public sector banks and 74.47% employees of private sector banks respectively had agreed strongly to the statement that unethical practices have resulted into bank failures / distress. Yet, 4.17% of the public sector banks and 8.51% employees of private sector banks had neither agreed nor disagreed; 4.17% of the public sector banks and 2.13% of private sector banks had mildly disagreed to the above statement. Number of employees strongly disagreeing to the statement above for both kinds of

banks was found to be zero. No association between responses of the employees and the type of bank they worked was found.

( $\chi^2 = 1.605$ ,  $df = 3$ ,  $p = 0.658$ )

**4. Do you comply with the Code while performing your professional duties?**



Source: Field Survey, June-July 2012

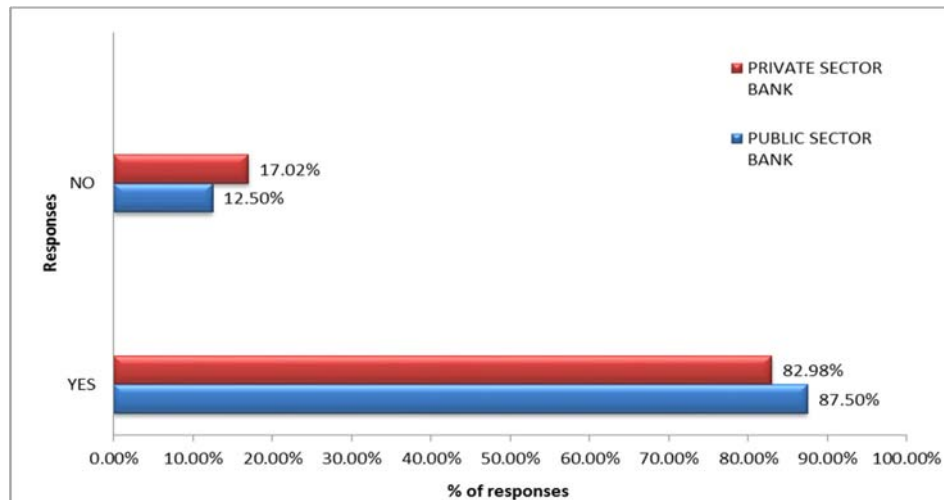
**Chart 4:** Compliance of Code while performing professional duties

35.42% employees of public sector banks and 31.91% employees of private sector banks respectively, do comply with the code while performing professional duties. Yet, 45.83% employees of public sector banks and 55.32% employees of private sector banks often complied and 18.75% employees of public sector and 12.77% employees of private sector bank sometimes complied with the code

while performing professional duties. Number of employees never complying with the code while performing professional duties in both kinds of banks was zero. The responses of the employees were independent of the type of banks they worked.

( $\chi^2 = 0.310$ ,  $df = 3$ ,  $p = 0.578$ )

## 5. Whether the bank employees are given behavioural training



Source: Field Survey, June-July 2012

Chart 5: Whether the bank employees are given behavioural training

x of private sector banks and 87.50% of the public sector banks respectively are for the statement put above. However, 17.02% employees of private sector banks and 12.50% of the public sector banks put opinion against the above statement. No significant association was found between the responses of employees and the type of banks they worked.

$$(\chi^2 = 0.386, df = 1, p = 0.534)$$

Thus,

From the test, it is indicated that we accept the Null Hypothesis and reject the Alternative Hypothesis that there is no significant difference regarding the perception of public and private sector bank employees about banking ethics.

### Findings

1. Unethical practices amongst the bank employees have undoubtedly increased the number of banking frauds manifold. These unethical practices involve complicated financial transactions conducted by 'white collar criminals', business professionals with specialized knowledge and criminal intent. The employee (s) involved in serious irregularities either leaves the service when they perceive that their misdoings are going to be discovered, or their services are dispensed with by asking them to resign. Some people are habitual in practicing wrong doings while some may be tempted to do so either for their personal growth or career advancement. This trend endangers the credibility of the banking system as it has been seen that these persons continued to indulge in unhealthy banking practices at their new jobs in other banks too.
2. The Indian banking industry has been witnessing an increasing trend of disloyalty, deliberate betrayal, or treason, especially for personal gain, money laundering which are obvious outcomes of greed. People sometimes tend to be influenced by their societal environment and can lose sight of what is really important to them.

3. Any activity which raises a doubt must be immediately informed to the concerned authorities, which can prevent the occurrence of unethical practices. Due recognition must be given to the employee by way of either verbal appreciation or any reward which in turn will motivate others to be conscious relating to any distrustful banking practice.
4. 35.42% employees of public sector and 31.91% employees of private sector bank complied with the code while performing professional duties. Around 45.83% employees of public sector and 55.32% employees of private sector bank often complied and 18.75% employees of public sector and 12.77% employees of private sector bank sometimes complied with the code while performing professional duties.
5. In order to safeguard the values and ethics of the public sector banks and also keeping in view to the rising complaints against the employee misbehavior towards the customers, the banks are taking up special training programmes to inculcate professional banking behaviour and etiquettes.
6. It is ironical but it has been found in some cases that an employee behaves the best when his job is not secured or he is in probationary period but however once his job is permanent his behaviour and attitude too changes. It is so because it is difficult to take an action against him as he becomes a permanent employee and will get the support from the union and also in the worst situations the process of firing him will call for lengthy protocol. This is seen to be particularly true in case of public sector banks.
7. Furthermore, the researcher observed that in most of the cases the bank officials lack professional behaviour towards the customers especially to the ignorant senior citizen and the people from the vulnerable class of the society. When interrogate some of the bank officers opine that this is mainly because of stressful banking job which demands long hours of work, huge volume of work load and constant pressure to meet the target which subsequently has resulted in the deterioration of the ethical values and are also encouraging the adoption of unfair means.

### Suggestions and Conclusion

Banking ethics is all about loyalty and honesty to customers and other stakeholders, trustworthiness, impartiality, valuing principled business behavior and functioning with a high degree of transparency. High ethical standards are expected to guide operations in the banking industry. Even though sufficient legislation has been enacted to regulate banking operations in India and ensure a fair competitive environment but these regulations and penalties alone are not sufficient to ensure discipline in the operations. While the bankers are provided with behavioural training yet there is deficiency of regular monitoring regarding the employees' behaviour. The customers on their part are too ignorant about the process of filing a complaint against the bank personnel to the higher authority or simply pay no heed thinking it to be a hassle.

Consequently, when unethical banking activities takes place it results into social and economic loss and create unnecessary friction in the economy. Legally, banks are obligated to act in a manner that safeguards public interests and when banks fail to meet the standards and expectations, the interests of all parties are put at risk. Ethical values and behaviour of the bank employees plays a significant role in creating and maintaining mutual trust and confidence. Thus, banks should value the relevance and adopt ethics while aiming to maximize their profit.

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