

A Study of Customers' Perception towards Ethical Issues In Banking Products And Services: With Special Reference To Selected Banks

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Abstract: The social rules that guide a person's behaviour or activities are known as morals. Ethical values include honesty, integrity, fairness, responsibility and accountability. The ethical banking includes An issue that is in accordance with ethical principles includes functioning pursuant to principles and having able to show how leadership, planning, and judgment have been influenced by ethical concepts. Because a decade, the financial business has seen a slew of scams, avarice, bad ethical norms, and inside conflicts control and increase in non-performing assets. This study attempts to examine the customers' view regarding ethical issues in banking services in India. The aim of the learning is to identify the major ethical issues in banking services corresponding to 7 Ps i.e. Creation, Value, Place, Raise, Folks, Physical Indication and Procedure, of service marketing. It analyzes which Ps of banking services are contributing the most towards unethical behavior of banking sector in India.

Keywords: Banking Products, Banking Sector, Ethics, Issues, Unethical Practices.

1. INTRODUCTION

Since last decade Indian Banking Sector is facing several issues which have occupied the attention of the policy makers. The applications of emerging new business models and new technologies have thrown up new opportunities for the sector. The need of business ethics has gained prominent importance in recent years due to increasing number of ethical scandals in the banking industry. These scandals have played importance in raising public, corporate, and scholarly understanding of corporate ethical concerns. Bankers are generally supported by customers, and it is the bank's primary job to guarantee that the savers' faith is maintained and that every conceivable danger in their capital is minimized. In all of its interactions, institutions must operate in a manner that promotes public trust, trust, and a positive image by instilling values like as honesty, trust, responsibility, responsibility, respect, and fairness. Despite the fact that the banks business is generally properly controlled and controlled by the Central Bank of India, it has its own set of issues in terms of moral behavior, economic crisis, and company management [1]–[8].

To deliver banking and other services, banks typically rely on a variety of information technology (IT)-based channels. They must supply continual and frequent information regarding their services in order to achieve this goal. Human can utilize IT as a powerful tool to achieve our environmental and ethical banking goals. The following are the IT-based banking services: Mobile finance is a fairly new concept. Many consumers are still unaware of the benefits of mobile banking. In this case, banking activities are carried out via one's cell phone[9].

2. LITERATURE REVIEW

D. E. Martin et.al [10] Discusses the growing Multinational eye financial services remain the domain of impartial eye lenders and partnering amongst folks lenders or within specific regions, despite the globalisation of the eye banking public, as demonstrated by mainland eye bank associations and their representatives pioneering the Global Alliance of Eye Lending Connections. Importing and exporting corneas might happen seldom, on an ad hoc basis, or as a substantial part of a big eye bank's daily operations. Individual connections among imported and exported organizations are important in defining the process and effects of such operations, but in a multinational environment, possible ethical problems and monitoring of activities might be concealed. Eye bankers and corneal surgeons would assume responsibility for the repercussions of their choices to export or import tissue from other countries, which are not restricted by jurisdictional boundaries. Those in charge of overseeing or regulating domestic eye banking operations should make sure that their ethical considerations include extra jurisdictional issues.

S. Mittal et.al [11] discussed about that Players in the banking sector should be true specialists who adhere to sector best standards and strict laws. If a financial institution detects illegal or immoral activity, it must be avoided and, if required, notified to the proper authority. Autonomy indicates that the supplier should not be swayed by personal relationships, gifts, or other forms of compensation. Risk and reward considerations would be adequately positioned in finance so that consumers can make educated selections; second, both the firm's and the borrower's rights will always be abused for private gain.

V. Tornjanski et.al [7] discussed about the banking business in India has a long history, spanning conventional banking practices from the time of the British through the reform era, nationalization to privatization of banks, and the current influx of multinational institutions. As a result, finance in India has had a lengthy journey. With the passage of time, India's banking sector has likewise risen to new heights. The usage of technology has revolutionized the banking industry's working style. Nonetheless, the core features of banking, such as trust and public confidence in the institution, remain unchanged. The majority of banks continue to succeed by maintaining the trust of their shareholders and other customers. However, as the banking industry evolves, new types of risk exposure emerge.

Research Question:

1. The foremost objectives of the education is to classify the factors (7 Ps) influencing the perception of clientele near ethical issues in Bank?

3. METHODOLOGY

3.1 Research Design:

The research was conducted using a comprehensive study approach. The five banks have been selected for the study includes State Bank of India, Bank of Baroda, HDFC Bank, ICICI Bank and Punjab National Bank[13]. The primary data has been collected through well structures questionnaire from the 150 customers of these banks as under.

3.2 Data collection:

The data has been collected from various journals, books, articles and official websites of the banks. The statements have been used to take the opinion of the customers. The dimension factor analysis tool from SPSS has been used to identify the key factors influencing the customers' perception. Table 1 represent the bank wise distribution of respondents.

Table 1: Diagrammatic Representation of bank-wise distribution of Respondents

Name of Bank	Frequency	Percentage
State Bank of India	33	22.0
Bank of Baroda	45	30.0
HDFC Bank	33	22.0
ICICI Bank	18	12.0
Punjab National Bank	21	14.0
Total	150	100.0

3.3 Data analysis:

Principal Component Analysis method has been used to reduce the factors. This approach begins by extracting the greatest variance and putting it into the first factor, then eliminates the variation described by the first component, then extracts the greatest variation for the next component, and so forth. The Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Normality test are used to evaluate the sufficiency of information when using factor analyses.

KMO examines the appropriateness of the factor analysis by comparing vastly of measured correlation coefficient to part correlations coefficient dimensions When the KMO value is more than 0.5, factor analysis is recommended. The

KMO value is 0.671 in Table 2. The Bartlett's Test is used to test the assumption that the parameters are mutually independent in the population. The hypothesis is rejected that the association coefficients matrices is an identical matrices is rejected since the P result of Bartlett 's test is 0.000.

Table 2: Diagrammatic Representation of KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.671
Bartlett's Test of Sphericity	Approx. Chi-Square	950.405
	df	171
	Sig.	.000

4. RESULT AND DISCUSSION

It can be observed from the Table 5 that the first factor that have higher correlation includes incentives offered by the sales executive to sell the product, deceptive marketing strategy by bank and pressure by bank on customer bank staff to purchase the product which explained the 13.67 percent of variance. The second factor includes unavailability of customer redressed cell at bank and exaggeration of potential benefits at bank's website which explained 11.41 percent of variances and third factor includes transparency in terms and condition of products and services offered by banks and level of knowledge of bank staff explaining the variances at 10.77 percent. The fourth component is highly correlated with description of the terms and condition of the banking products, quoting lower rate of interest by sales executive of banks and overstating the potential benefits of the products to sell the product which explains 9.97 percent of variances. The fifth component includes clear understanding of products and services by bank staff and cooperative staff at banks which explained 8.48 percent of variances. The sixth component includes providing updates to customers regarding products and services explaining 8348 percent variances and the seventh component includes providing misleading data about the products and services at banks. Table 3 and Table 4 represent the total variance explained and component matrix respectively.

Table 3: Diagrammatic Representation of Total Variance Explained.

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
F1	4.691	24.69	24.69	4.691	24.69	24.69	2.596	13.666	13.666
F2	2.388	12.569	37.259	2.388	12.569	37.259	2.168	11.412	25.077
F3	1.677	8.826	46.084	1.677	8.826	46.084	2.047	10.773	35.851
F4	1.329	6.995	53.079	1.329	6.995	53.079	1.895	9.973	45.824
F5	1.229	6.468	59.547	1.229	6.468	59.547	1.775	9.343	55.166
F6	1.124	5.913	65.46	1.124	5.913	65.46	1.611	8.48	63.646
F7	1.036	5.454	70.914	1.036	5.454	70.914	1.381	7.268	70.914
F8	0.886	4.663	75.577						
F9	0.717	3.772	79.349						
F10	0.658	3.461	82.809						
F11	0.567	2.985	85.794						
F12	0.514	2.707	88.501						
F13	0.426	2.24	90.741						
F14	0.381	2.007	92.748						

F15	0.355	1.87	94.618						
F16	0.316	1.665	96.283						
F17	0.286	1.508	97.79						
F18	0.272	1.43	99.22						
F19	0.148	0.78	100						

Owing of the 'leveling out' of Eigenvalue value beyond 7 factors and the inadequate amount of main loadings, the seven-factor approach were picked, that accounted approximately 71% of the variation. Furthermore, these seven characteristics account for about 71 % of the variation. The Rotated Factor Matrix is shown in Table 5.

Table 4: Diagrammatic Representation of Component Matrix.

	Component						
	1	2	3	4	5	6	7
F9. Bank staff applies pressure to buy the product even if he/she knows that the product is not suitable for me.	.727	.216	-.039	.120	-.237	-.226	-.033
F10. Bank staff misrepresent penalty and charge clauses to influence buying decision.	.722	.060	.006	-.016	-.147	.154	.026
F2. Banks intentionally keeps the clauses regarding penalty and charges obscure.	.688	.133	.167	-.116	-.045	-.201	.271
F4. Bank does not inform customers about RBI guidelines.	.640	-.075	-.082	.051	.086	-.298	-.513
F16. Sales executives quotes lower rate of interest than actual to meet targets of issuing loans	.583	.127	-.271	-.274	.402	.250	.010
F5. The language used in product description and terms and condition is not clear and difficult to understand.	.557	-.287	.231	-.300	.118	.393	.112
F17. Bank does not update information about any modifications in the terms and conditions of Credit/Loan	.557	-.015	-.506	.023	-.082	-.298	.175
F3. Bank's website exaggerates potential benefits	.555	-.001	.389	.429	-.171	.067	-.187
F13. Sales Executives of banks offers incentives to get a debit/credit card or to open another type of account in the same bank.	.542	.219	-.025	.179	-.282	.449	-.071
F15. By concealing the facts and use confusing wording, the bank engages in misleading advertising.	.519	.492	-.150	.045	-.283	.180	-.131
F18. The personnel at the location is informed regarding the goods, services, and how to resolve client questions quickly.	-.359	.741	-.081	.071	.112	-.022	.017
F12. The personnel at the bank is helpful in resolving client issues/complaints as quickly as possible.	-.105	.640	.540	-.168	.004	-.172	.013
F14. Sales executive of bank make sure that the terms and conditions specified in the product are clear and transparent.	-.220	.635	-.241	.010	.474	.023	-.216
F11. Bank staff has a clear understanding of a specific need of their customer.	-.095	.461	.544	-.083	-.127	-.054	.362
F7. Banks regularly update me with the necessary information	-.289	.056	.029	.669	.007	.519	-.023

F8. Bank does not have provision regarding grievance redressal cell which can easily resolve the customer's problem.	.481	.016	.134	.592	.230	-.240	.074
F1. Bank staff do not provide adequate information regarding their products and services.	.381	-.461	.356	.095	.487	-.013	.235
F6. Sales executives of Banks overstates potential benefits of the banking products.	.442	.253	.229	-.092	.461	.083	-.195
F19. Bank staff/ Sales executives provide misleading data about customer base of other banks	.246	.267	-.484	.248	.115	.069	.568

Table 5: Diagrammatic Representation of Rotated Component Matrix.

	Component						
	1	2	3	4	5	6	7
F13. Sales Executives of banks offers incentives to get a debit/credit card or to open another type of account in the same bank.	.776						
F15. Bank uses deceptive marketing by camouflaging the truth and using ambiguous language	.757						
F10. Bank staff misrepresent penalty and charge clauses to influence buying decision.	.585						
F9. Bank staff applies pressure to buy the product even if he/she knows that the product is not suitable for me.	.537						
F8. Bank does not have provision regarding grievance redressal cell which can easily resolve the problems of customers.		.800					
F3. Bank's website exaggerates potential benefits		.658					
F4. Bank does not inform customers about RBI guidelines.		.549					
F14. Sales executive of bank make sure that the terms and conditions specified in the product are clear and transparent.			.870				
F18. The personnel at the location is informed regarding the goods, services, and how to resolve client enquiry quickly.			.696				
F5. The language used in product description and terms and condition is not clear and difficult to understand.				.657			

F16. Sales executives quotes lower rate of interest than actual to meet targets of issuing loans				.643			
F1. Bank staff do not provide adequate information regarding their products and services.				.622			
F6. Sales executives of Banks overstates potential benefits of the banking products.				.594			
F11. The company's employees have a thorough awareness of a consumer 's individual requirements.					.820		
F12. The personnel at the bank is helpful in resolving client issues/complaints as quickly as possible.					.772		
F7. Banks regularly update me with the necessary information						.869	
F17. Bank does not update information about any modifications in the terms and conditions of Credit/Loan						.490	
F2. Banks intentionally keeps the clauses regarding penalty and charges obscure.							
F19. Bank staff/ Sales executives provide misleading data about customer base of other banks							.851

5. CONCLUSION

In today 's society, the financial sector is very important. Consumers' funds are borrowed by bankers and lent to entrepreneurs and manufacturers. The ethics in banking have supreme importance for the economy and the society. The brand and repute of an institution, as well as consumer trust in the treasury, are highly influenced by its personnel' behavior, particularly their capacity to engage with and pay respect to teammates and consumers. The study reveals that the important factors determining the perception towards ethical banking are related to the banking staff which directly connected to the customers. The banks must pay close attention to ethical and moral issues at the time of taking managerial decisions. The maintaining ethical culture in banking is has a critical interest to the stakeholders of banks like regulators, banks, employees, customers etc. Violations of ethics standards and acceptable personal conduct are required to be adequately developed, specified, and successfully conveyed to all personnel, most notably via education at the bank's place of entrance.

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