

## STUDY REGARDING ETHICS IN THE BANKING SERVICE INDUSTRY IN THE CITY OF RESITA

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**Abstract:** *Every business must consider ethics as a guideline for the development in the future. The banking service sector is no exception. The present paper aims at studying the attitude of individuals in Resita towards the aspect of ethics in the banking service industry. The first part of the paper consists in presenting general theoretical considerations regarding the concept of ethics and banking, while the second part presents a research based on a questionnaire, applied on a representative sample of individuals.*

**Keywords:** *ethics; banking sector; service; clients; finance.*

**JEL classification:** *G21; L21.*

### **1. Introduction. General aspect regarding ethical issues in the banking sector**

Literature states that banking represents "one of the oldest industries of the world" (Goyal, Joshi, 2011). We can thus trace the history of banking, in several sources, to the very first evidence of this kind of service, way back in 2000 BC, in regions like "Assyria and Babylonia", but also Ancient Greece or the Roman Empire.

Still, no business can be successfully performed if we face a lack of honesty, trust or even ethical principles. The banking industry is no exception. Thus we must speak about ethics mainly as a necessary aspect, but also a "must have" for the initiators of any type of business. Ethics have since become not only an issue due to be respected, but also a field of study and, largely, a science (Resnick, 1998), which is considered by various authors (Gisler, 2007) as the one that deals with the study of "moral principles (...) and their role in the society" (Medar, 2011).

Researches also define ethics as "a system" (Gilman, 2005) consisting in several criteria and also measures which have the main purpose of studying the basic rules, values or concepts as "good, bad, right, wrong" (Thomson, Schmoldt, 2001), but "underlying the individual and social relations on such moral grounds" (according to [www.isbank.com.tr](http://www.isbank.com.tr)), while aspects like trust and integrity are considered valuable "moral goods", that must be widely taken into account, no matter of which field or domain we speak about. Boatright (Boatright, 2011) considers these as essential for any activity, because very few businesses could be "possible without them", while the mutual relationships between individuals and also between a person and society are under the influence of professional and general ethics. The behavior of an individual both inside an organization and as a member of society are defined by rules and regulations, materialized as personal and institutional ethical guidelines.

The banking industry has faced a series of difficulties during the latest years, some even consider that now "it finds itself at a crossroad" (Carboni, 2011), mainly because of the financial crisis worldwide, as the failure of various financial

institutions only led to the loss of trust from the actual and potential customers. So, ethics in the field of finance, in a time of great challenges worldwide may become a challenge itself (Gonzalez, 2013). Clients represent the center of existence for any business, but when speaking about banks, there are surely “sets of rules on working with them” (Burkova, 2009), on the basis of shared values, the banking practice establishing certain “additional legal and ethical laws and regulations” (Burkova, 2009), in order to safely ensure quality financial service providing for the customers. Surely, the perception of clients regarding these aspects vary from a case to another, but certain standards are necessary in order to ensure quality when providing these services, even if uncertainty is generated sometimes and also distrust, based on previous ethical mistakes.

One of the main characteristics of the European banking industry is that there are multiple choices from which a client can select an entire service system, whether the financial purpose is to make a deposit or to take a loan. Carboni (Carboni, 2011) even describes it as a “multifaceted landscape”, with a “wide range of actors and practices”, in which the issue of ethics is destined to “create rules of behavior” (Medar, 2011) for the whole industry, as we face a market splitting between the public and private system of banking.

When speaking about banking industry, we must first understand the concept of bank, as a financial institution, which develops a purpose of “financial intermediation among various components of our society” (Goyal, Joshi, 2011).

Literature (Goyal, Joshi, 2011) identify the acceptance of deposits and loan providing for sustainable activities as the main “tasks” for a financial institution, but the “failure of markets, institutions and morality calls for an ethical framework” (Kung, 2013). It is expected for both the private and public financial institutions to play an important role in ensuring sustainability worldwide.

According to Carboni, the global economic crisis created a general financial meltdown in 2008 (Carboni, 2011), but banking institutions are still “fundamental to development” (Gonzalez, 2013), organizations like OECD pleading for “truthfulness, honesty, transparency”.

In recent years, finance and also banking activity became a “lightning rod” for the effects of the general financial crisis. (Banffi, 2013) Ethics in the banking sector, already partially different from other businesses (Boatright, 2011) thus refer to “the moral and ethical relations, but they are closely related to the legal norms that comprise the banking legislation” (Fetiniuc, Lucian, 2014), while the infringement of these leads to a more severe conflict.

Mainly, banking remains one of the most closely studied fields (Banffi, 2013), the main ethical elements taken into account being the laws that govern the overall financial activity, but also the specific set of rules and regulations that manifest influence over the business behavior (Medar, 2011).

## **2. The methodology of research**

The research methodology included three phases, namely:

1. The preliminary stage, consisting in discovering the problem, establishing the purpose and the objectives of the research
2. The designing stage, consisting in choosing the sources of information and the ways of collecting the latter

3. The stage of realization, consisting in collecting information, analyzing it and drawing conclusions.

Nowadays, in the context of the consequences of the economic crisis, the relations between the customers and the banks have cooled, and the banking services are often avoided by the clients, which on the one hand show a lack of confidence in this type of services, and on the other hand manifest very high demands regarding the overall quality.

The aim of the research was to know the level of clients' trust, the satisfaction and the importance given to the services provided by the banking institutions in the city of Reșița, the objectives consisting in:

- determining the extent to which consumer perceptions regarding the quality of banking services influence their perceptions regarding their relationship with the bank, and thus their behavior towards the bank
- the development of marketing strategies for the promotion of banking products and services, which aims at: increasing the clients' trust in the services offered by the banking institutions, the satisfaction of the client by improving the offer of services, increasing service performance, and increasing revenue, promoting the global product.

The assumptions we start from are the following:

*H1. The relationship between client and bank relationship needs to be closer so that the bank guarantees and executes the contracts concluded between the client and the bank*

*H2. Customers get certain facilities from the bank, namely checking the debit and credit accounts.*

*H3. The bank must allow customers to make transactions online at any time they wish.*

*H4. Clients evaluate the attitude of the staff as overall good, determining a degree of at least acceptable satisfaction, but it can be improved by highlighting the most important (psychological, social, moral, physical and professional) qualities that an employee of the banking system should have.*

As a method of communicating with the subjects, our survey is based on direct personal investigations of subjects (face to face), which gives us the advantage of being able to persuade subjects to participate in the interview (inquiry) and to answer questions that would otherwise remain without response, thus ensuring a high rate of participation of the subjects in the conduct of the investigation.

In the present marketing research, the information is obtained from individuals who are active in the banking system in Resita. The sample consisted in 72 persons, and the questionnaire comprised ten closed questions, with variants of responses, as presented in the following part. We will analyse only four of the questions mentioned, considered representative for the present study.

### **3. The analysis and interpretation of results**

Following the centralization of the results obtained in the questionnaire, we can conclude that:

Q1. Have you requested products / services from the banking units in Resita? If the answer is „Yes”, which products did you request?

- a. credit product
- b. savings product (bank deposit)
- c. payment order (bank payment service)
- d. cash operations (banking and cash receipts in foreign currency and lei).

- After analyzing the data, it is found that men requested most of the times a bank deposit from a financial institution in Resita - 20.83%, but women often demand the same product - 16.67%. The least demanded by both sexes are cash operations, 5.56% by men and 6.94% by women.

**Table 1:** Centralization of results for Q1

Respondents	Credit product	Bank deposit	Payment order	Cash operations	Total
Men	11	15	6	4	36
Women	9	12	10	5	36
<b>Total respondents</b>	<b>20</b>	<b>27</b>	<b>16</b>	<b>9</b>	<b>72</b>
<b>Total Share</b>	<b>27.78</b>	<b>37.50</b>	<b>22.22</b>	<b>12.50</b>	<b>100.00</b>
Men	15.28	20.83	8.33	5.56	50.00
Women	12.50	16.67	13.89	6.94	50.00

Source: processing made by authors

- If we analyze the data, we notice that people between the ages of 18 and 30 have often requested to deposit banking products. Persons aged between 31 and 59 have most frequently (13.89%) applied for bank deposits, and people over the age of 60 have applied for bank credit several times (in a proportion of 12,50%). The second most requested service for people between the ages of 18-30 and 31-59 is the payment order, whereas for persons aged 60 and over, the most demanded is the bank deposit.

**Table 2:** Centralization of results for Q1 – age criteria

Respondents	Credit product	Bank deposit	Payment order	Cash operations	Total
<b>TOTAL age 18-30</b>	4	9	5	2	20
<b>SHARE age 18-30</b>	5.56	12.50	6.94	2.78	27.78
<b>TOTAL age 31-59</b>	7	10	7	3	27
<b>SHARE age 31-59</b>	9.72	13.89	9.72	4.17	37.50
<b>TOTAL 60 and over</b>	9	8	4	4	25
<b>SHARE age 60 and over</b>	12.50	11.11	5.56	5.56	34.72
<b>Total subjects</b>	<b>20</b>	<b>27</b>	<b>16</b>	<b>9</b>	<b>72</b>

Source: processing made by authors

- As a result of the questioning of the subjects, it was found that persons with income below 1.250 lei opt in a share of 11.11% for the bank deposit (saving product) and 8.33% for credit (credit product) and payment order (Bank payment service by bank account) and only 5.56% choose cash operations (bank payment and cash collection in foreign currency and lei). Subjects with income ranging from 1,250-1,750 lei also choose in a proportion of 16,67% the bank deposit (saving product), 11,11% choose bank credit, 6,94% prefer payment order and only 2,78 % choose cash operations. Subjects with the income of over 1,750 lei prefer in a proportion of 9,72% the bank deposit, while 8,33% opt for the bank loan, 6,94% choose the payment order and only 4,17% cash transactions.

Q2. Are you satisfied with the attitude of the staff employed in the banking units in Resita?

- a. very satisfied
- b. satisfied
- c. acceptable
- d. dissatisfied

- As a result of the study it was found that the majority of the subjects, in proportion of 31.94%, consider the attitude of the employees in the Resita banking units acceptable, while 30.56% of the subjects are satisfied with the attitude of the employees, 29.17% are very satisfied and 8.33% of the subjects are dissatisfied.

**Table 3:** Centralization of results for Q2

	Very satisfied	Satisfied	Acceptable	Dissatisfied	Total
Scale	4	3	2	1	
<b>Total Subjects</b>	21	22	23	6	<b>72</b>
<b>Share</b>	<b>29.17</b>	<b>30.56</b>	<b>31.94</b>	<b>8.33</b>	<b>100.00</b>

Source: processing made by authors

Q3. Please specify which are the criteria underlying the decision to consume the products / services offered by the banks in Resita.

- According to the analysis, we observe that the subjects (40.28%) believe that the ratio between the quality of the products / services offered and the costs is very good, 47.22% think that the bank's location is good, 19.44% consider that the service is neither good nor bad, and 8.33% believe that the diversity of banking products / services is poor.

**Table 4:** Centralization of results for Q3

Criteria	Very good	Good	Neither good nor bad	Poor	Very poor	TOTAL
	5	4	3	2	1	
The ratio between the quality of products and costs	29	28	10	4	1	<b>72</b>
<b>Shares [%]</b>	<b>40.28</b>	<b>38.89</b>	<b>13.89</b>	<b>5.56</b>	<b>1.39</b>	<b>100.00</b>
Diversity of banking products	27	28	11	6	0	<b>72</b>
<b>Shares [%]</b>	<b>37.50</b>	<b>38.89</b>	<b>15.28</b>	<b>8.33</b>	<b>0.00</b>	<b>100.00</b>
Serving staff	25	21	14	7	5	<b>72</b>
<b>Shares [%]</b>	<b>34.72</b>	<b>29.17</b>	<b>19.44</b>	<b>9.72</b>	<b>6.94</b>	<b>100.00</b>
Location	22	34	13	2	1	<b>72</b>
<b>Shares [%]</b>	<b>30.56</b>	<b>47.22</b>	<b>18.06</b>	<b>2.78</b>	<b>1.39</b>	<b>100.00</b>
<b>TOTAL RESPONDENTS</b>	<b>103</b>	<b>111</b>	<b>48</b>	<b>19</b>	<b>7</b>	<b>288</b>
<b>TOTAL SHARES</b>	<b>143.06</b>	<b>154.17</b>	<b>66.67</b>	<b>26.39</b>	<b>9.72</b>	<b>400.00</b>

Source: processing made by authors

Q4 – How do you assess the level of commissions in the banking units in the city of Resita?

- As a result of the survey, we observe that half (50%) of the respondents think that the commissions in the banking units are high, 33.33% of the subjects claim that the commissions are very high, 15.28% think that they are not Neither small nor large, and 1.39% think they are small.

### Conclusions

Although the emphasis is on the presentation of banking products or services, there are also important aspects regarding their promotion strategies. In dealing with the issue, we started from the idea of knowing and understanding the specifics of banking products and services as fundamental elements on which a bank's marketing activity is based.

The bank-customer relationship is and must be supported by the ambience of two factors: the bank's offer with everything that may be specific to banking services and the human factor capable of materializing this offer. In this combination the dynamic element is the bank worker. By the way he conceives the relationship of the bank with the client, it can cause the desired effects in the bank's business, or vice versa. The behavior and attitude of the banks towards the client are not accidental, they must be well-led and well-informed. If banks really want to demonstrate the efficiency and close relationship between the bank and the client, then they have to understand that the determining factor is the quality of this relationship.

Financial institutions are motivated to have "ethical conduct based on the following considerations" (Fetiniuc, Luchian, 2014):

- Ethical behavior
- Reputation and positive image
- Qualified and honest employees
- Additional capital.

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