

Ethical Practices among Bank Employees – A Spiritual Concern

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ABSTRACT

The present paper concentrates upon the concept of ethics in banks. It will help to elaborate the concept of ethical and unethical practices in the banking sector. The study is descriptive in nature and based upon the secondary data obtained from journals, magazines and periodicals. This study reveals out what type of unethical practices are being followed by bank employees so as to increase their business and under what circumstances they are forced to do those practices. Study stresses upon importance of ethical behavior for spiritual satisfaction among bankers and positive reputation of banks. It shows the effect of unethical practices on bank efficiency and business. The study demonstrates how public trust can be won by following ethical practices. It also suggests some measures to implement ethical behavior.

Keywords: Ethics, Bank Ethics, Unethical, Trust, Spirituality.

INTRODUCTION:

Bank is a financial institution that performs several functions like accepting deposits, lending loans thus helps in agriculture and rural development etc. The main goal of every bank small or large, public or private is to make profits so as to contribute towards financial systems of country. Bank also serves as intermediate to provide capital from those who own to those who need capital. Growth and development of every country is determined by its economy. Banks and financial systems of every country form the core of economy. Today, the banking sector is one of the biggest service sectors in India. We all are related to banks directly or indirectly. Banks provide new schemes and services that include opportunities in credit cards, consumer finance, life and general insurance, investment banking, mutual funds, pension fund regulation services, etc to its customers. Banks now not only focus on customer acquisition but also concentrate on customer retention. To acquire and retain the more and more customers banks have to maintain high ethical standards. Although high ethical standards are demand of every profession but in case of banking the ethics are of prime concern. The relationship between banks and its clients is merely based on trust which is driven by the seriousness of banks and bank employees that how they treat their clients in today's competitive environment. Banking is essentially based on trust where depositors entrust their funds to banks for safety and investment. Consequently, banking business must be done in a transparent and ethical manner to uphold the trust of the clients. The ethical bonding between customers and banks leads to the formation of ethical banks. Ethical banks can promote socially and environmentally responsible companies and penalize those who do not conform to these standards. Ethics in banks is all the more important as it gains the confidence of public in the market. But there is a risk

that banks could simply adopt certain practices that make them appear ethical while not adopting other practices that would have a greater impact. Now a day's banks are often being criticized due to increase in the rate of frauds and scams. These frauds and scams take place due to unethical practices which no doubt generate short term profits but cost the credibility of banks. The lack of ethical norms in banking business operations may produce great damage at the micro and macro level.

LITERATURE REVIEW:

Kumari J. (2017) stressed upon that without a sound and effective banking system, no country can ever have a healthy economy. This research paper relates to the study of banks role in the economic development of country. India's Banking System has no longer confined to only the metropolitans, but has reached even to the backward corners of the country. It suggests how banks create new demand deposits in the process of granting loans and purchasing investment securities. They facilitate trade both inside and outside the country. In (2017) Menzes A. discussed the concept of Business Ethics, and its importance in banking. Also the global viewpoint of Business Ethics in different countries. How Business Ethics is viewed in terms of the view point of the employee, customer or management. Study also analyzed the importance of Business Ethics on the Banks in general. Study revealed out that upholding of an ethical culture in banking is of critical interest to regulators, banks, employees and customers alike. Further in (2017) Sunayna and Kaur M. attempted to uncover unethical practices in marketing of banks and issues that create ethical conflict. Paper suggests that unethical practices can benefit in short run but can severely damage reputation of bank in the long run. It focused on the importance of Ethics in banks as it establishes confidence of public in the system. Good ethical practices are important for banks as banking system is based on trust and confidence of people.

Deka (2016) stressed upon the fact that bankers are belonging to that professional group who has interaction with the other groups of people and also with general masses. Apart from profit maximization, banks can play a vital role in economic development and environmental issues of a country if they become ethical enough while marketing their banking services. Because lack of ethical norms in banking business operations may produce great damage at the micro and macro level. His paper attempted to study the ethical practices adopted in the banking sector in India especially by State bank of India towards the environmental issues. Further some recommendations to reduce future occurrence of frauds in Indian banking sector were proposed by Singh et. al (2016). His study endeavored to cover issues such as banking frauds and mounting credit card debt, with a detailed analysis using secondary data (literature review and case approach) as well as an interview-based approach, spanning across all players involved in reporting financial misconduct. The report touches upon the case of rising NPAs in the past few years across various scheduled commercial banks, especially public sector banks.

Enofe et. al (2015) examined ethical challenges and financial performance in the Nigerian banking sector. Percentage analysis, Descriptive statistics and Spearman ranked order of correlation (ρ) using Statistical package for social sciences (SPSS 21.0) were used to analyze the responses from the various respondents. Findings from the empirical result indicates that insider related credits exhibit a significant positive relationship with financial performance in the Nigerian banking sector while unauthorized tampering with customers' accounts revealed unexpected insignificant negative relationship with financial performance.

Goyal & Joshi(2011) studied the role of banks in economic performance of a country. And highlighted social and ethical issues such as social banking, ethical banking, green banking, global banking, rural banking, and agri-banking, which help in achieving sustainable development of banking and finance. This study drew the attention to understand the various roles and responsibilities of banks in order to strive more effectively and efficiently against some current issues.

RESEARCH METHODOLOGY:

The paper is based on empirical study and conceptualized the secondary data from books, journals, magazines and periodicals. The study focuses on nature and extent of unethical challenges in banking sector. The research paper will aim

- To understand the concept of ethics in banking sector.
- To understand the extent of unethical practices in banking business.
- To study the impact of unethical practices on banking business.
- To provide some suggestive measures to enhance the ethical practices among bankers.

It elaborates how unethical services can affect bank efficiency. The secondary sources are reviewed, analyzed and categorized for gaining knowledge and insight into the concept of ethics. Qualitative data from secondary

sources has been retrieved by document analysis and case studies. Data from different sources are categorized on the basis of bias and gaps. The collected data is reviewed so as to find the causal relationship between ethical practices and bank efficiency. Stress has been given to find out various unethical practices and easy measures have been suggested to promote ethical conduct.

FINDINGS AND DISCUSSION:

It has been found that banking culture is under continuous change. It meets new opportunities and challenges to beat other financial authorities. From time to time Government of India introduces new schemes for uplifting the living standards of people living below the poverty line and minorities. Although these are introduced for betterment of common man but these schemes also sets the high targets for bank employees. Some are as under

PMJDY: (Pradhan Mantri Jan Dhan Yojna):

Pradhan Mantri Jan Dhan Yojana as the National Mission on Financial Inclusion in his Independence Day address on 15th August 2014, to ensure comprehensive financial inclusion. Under this, a person not having a savings account can open an account without the requirement of any minimum balance.

PMJDY offers unbanked persons easy access to banking services and awareness about financial products through financial literacy programmes. In addition, they receive a Rupay debit card, with inbuilt accident insurance cover of Rs. 1 lakh, and access to overdraft facility upon satisfactory operation of account or credit history of six months. The inclusive aspect of this is evident from the fact that 16.87 crore (60%) of PMJDY accounts are in rural areas and 14.49 crore (over 51%) PMJDY account holders are women. The deposit base of PMJDY accounts has expanded over time (Refer Table No. 1).

PMJJBY: (Pradhan Mantri Jeevan Jyoti Bima Yojna):

The PMJJBY is available to people in the age group of 18 to 50 years having a bank account who give their consent to join / enable auto-debit. The life cover of Rs. 2 lakh is for the one year period stretching from 1st June to 31st May and is renewable. Risk coverage under this scheme is for Rs. 2 lakh in case of death of the insured, due to any reason. The premium is Rs. 330 per annum which is to be auto-debited in one installment from the subscriber's bank account as per the option given by him on or before 31st May of each annual coverage period under the scheme.

The scheme is being offered by the Life Insurance Corporation and all other life insurers who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose. As on 31st March, 2017, cumulative gross enrollment reported by banks subject to verification of eligibility, etc. is over 3.10 crore under PMJJBY.

PMSBY: (Pradhan Mantri Suraksha Bima Yojana):

The Scheme is available to people in the age group 18 to 70 years with a bank account who give their consent to join / enable auto-debit on or before 31st May for the coverage period 1st June to 31st May on an annual renewal basis. Aadhar would be the primary KYC for the bank account. The risk coverage under the scheme is Rs. 2 lakh for accidental death and full disability and Rs. 1 lakh for partial disability. The premium of Rs.12 per annum is to be deducted from the account holder's bank account through 'auto-debit' facility in one installment. The scheme is being offered by Public Sector General Insurance Companies or any other General Insurance Company who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose. As on 31st March, 2017, cumulative gross enrolment reported by Banks subject to verification of eligibility, etc. is over 9.94 crore under PMSBY (Refer Table No. 2).

APY: (Atal Pension Yojna):

APY was launched on 9th May, 2015 by the Prime Minister. APY is open to all saving bank/post office saving bank account holders in the age group of 18 to 40 years and the contributions differ, based on pension amount chosen. Subscribers would receive the guaranteed minimum monthly pension of Rs. 1,000 or Rs. 2,000 or Rs. 3,000 or Rs. 4,000 or Rs. 5,000 at the age of 60 years. Under APY, the monthly pension would be available to the subscriber, and after him to his spouse and after their death, the pension corpus, as accumulated at age 60 of the subscriber, would be returned to the nominee of the subscriber.

In the event of pre-mature death of the subscriber, Government has decided to give an option to the spouse of the subscriber to continue contributing to APY account of the subscriber, for the remaining vesting period, till the original subscriber would have attained the age of 60 years. The spouse of the subscriber shall be entitled to

receive the same pension amount as that of the subscriber until the death of the spouse. After the death of both the subscriber and the spouse, the nominee of the subscriber shall be entitled to receive the pension wealth, as accumulated till age 60 of the subscriber. The Central Government would co-contribute 50% of the total contribution or Rs. 1,000 per annum, whichever is lower, for a period of 5 years for those eligible subscribers who joined the scheme between the period 1st June, 2015 and 31st March, 2016 and who are not members of any statutory social security scheme and who are not income-tax payers. Contributions under APY can be made on monthly/ quarterly/ half yearly basis. APY enjoys tax benefits at par with National Pension System (NPS). As on 30th December, 2017, 79.20 lakh subscribers have been enrolled under APY.

PMMY: (Pradhan Mantri Mudra Yojna):

The scheme was launched on 8th April 2015. Under the scheme a loan of upto Rs. 50,000 is given under sub-scheme 'Shishu'; between Rs. 50,000 to 5.0 Lakhs under sub-scheme 'Kishore'; and between 5.0 Lakhs to 10.0 Lakhs under sub-scheme 'Tarun'. Loans taken do not require collaterals. These measures are aimed at increasing the confidence of young, educated or skilled workers who would now be able to aspire to become first generation entrepreneurs; existing small businesses, too, will be able to expand their activities. As on 31.03.2017, Rs. 1,80,528.54 Crores sanctioned (Rs. 85,100.74 cr. - Shishu, Rs. 53,545.14 cr. Kishor and Rs. 41,882.66 cr. - Tarun category), in 3,97,01,047 accounts(Refer Table No. 3).

Unethical Practices by Bankers to Meet their Targets:

The sudden boom of various schemes and employees to meet the targets within limited time. So they sometimes forced to follow some unethical practices as described below

Charges for not maintaining Minimum account balance (MAB):

PMJDY was launched with the prime motto to link everyone to banks. The main attractive feature of this scheme was 'no minimum balance facility' but later people were charged for not maintaining balances in their accounts. According to data provided by the finance ministry, India's largest lender State Bank of India collected Rs 1,771 crore during April-November 2017 as charges from customers who did not maintain their minimum monthly average balance (MAB) in their accounts. After SBI, Punjab National Bank recorded the highest collection of Rs 97.34 crore through levy of such charges during the April-November period followed by Central Bank of India's Rs 68.67 crore and CanaraBank's Rs 62.16 crore.

Cutting of Zero balance Jan Dhan accounts by one rupee deposit:

After the launch of PMJDY No doubt bankers met their goals of having maximum number of accounts but later it was found that most of the accounts were zero balance accounts. So from RBI they were then pressurized to lower down this count. To Face this bankers played the game of depositing one rupee at their own to these zero balance accounts. At least two public sector banks, Bank of Baroda and Bank of India, have accepted that their branch staff deposited Re 1 on their own in Jan Dhan accounts to apparently reduce the number of zero-balance accounts opened under the government's flagship financial inclusion scheme. The Indian Express investigation (September 13, 2016) that revealed how officials were making Re 1 deposits, many from their own allowances, some from money kept aside for office maintenance, to reduce the branch's tally of zero-balance accounts. Indeed, the number of zero-balance accounts fell, from 76% in September 2014 to almost 46% in August 2015 and 24.35% on August 31, 2016.

Illusive Scheme: Various schemes PMSBY are so designed to linked to the bank accounts opened under the Pradhan Mantri Jan Dhan Yojana scheme. Because most of these accounts were zero balance initially. The government aims to reduce the number of such zero balance accounts by using this and related schemes as it covers only accidental death with the premium of Rs. 12 annually.

No well planned policies: Policies like APY are purely designed in business point of view neglecting the common man's rights. As APY offers a pension of Rs. 5000 after about 30 years which will be having the value of Rs. 700 on that date.

Auto debt: Banks are debiting money from customer account towards PMSBY as annual premium for their projects without customer consent. They even don't know that they are holding any kind of insurance.

Attitude of Bankers: Attitude of bankers and insurance companies is such that they look for every possible way to deny the claims. They simply following the motto of "deny if you can, pay if you must". They apply this day in and day out to even well-educated people. Many times they change the terms, insured amount and lot many frauds.

Opening bogus accounts: So as to beat the pressure of higher authorities for CASA targets bankers are often found to open the bogus accounts with minimum initial transactions.

Misguiding the clients: It has been found a common practice among bankers to provide unambiguous information to clients by not making clear demarcations between PMSBY and PMJJBY. They offer the policies to customers according to their targets not according to their benefits.

Temporary policy making: Bankers when under sustained stress make a way by just selling the policies for short periods so as to meet their targets. Customers are then later allowed to withdraw their names from policies.

Long term Fixed deposits (F.D.): To achieve their targets of deposits and fixed deposits bankers misguide their clients for increasing their loan amount slab from Shishu to Kishor and from Kishor to tarun. They propels their customers to get the extra amount be kept as fixed deposits.

Practicing bundled packages: Sometimes we people are being guided by bank employees that we will get 'X' only if we buy 'y'. It has been seen as a common practice among bankers that they bound the insurance with their retail loans (house, car, education, personal). They make this ill practice most of the time while forwarding loans to the rural areas.

Credit cards with variable rates: Entrepreneurs and small business owners are frequently targeted using credit cards. These cards are provided with initial low rates and that can make balances balloon in the future. Moreover annual percentage rate with such a card will frequently go up sharply after the first year without any prior notice.

Falsifying the paperwork: Recovery of loans has always been the most pressuring factor for bank employees. To overcome this practice of falsifying the paperwork or denying the refinancing applications for mortgages, so they could foreclose on customers' homes and recover their loans.

Shadow Trapping: In case of rural and less educated people cases have come into light where people have complained about getting their signatures for insurance policies etc. under the shadow of their heavy paper works for loans.

Fraudulent use of 'KYC' documents: Bank employees have also been found in misuse of documents provided for 'KYC'. Cases have been seen when customers are cheated by changing photographs on their documents to obtain loans.

Bribery: It is the most common way of cheating their customers for sanctioning of the loan amounts without any hurdle.

Problems and Grievances of Bankers:

Bank employees follow the above said unethical practices in their day to day life. They have their own reasons of opting these practices as given below:

Competitive Environment: In the present era banks and bank employees are facing intense competition not only from other banks but also from other non banking financial agencies which are capturing the industry by providing high interest rates on deposits and low interests on advances.

Cross selling products: Now a days banking is not just dealing with deposits and advances, it has been expanded to other services like insurance and mediclaim policies, credit and debit cards etc. To sell these products has now become the part of their job.

Insurance pressure: To beat financial inclusion government introduces various schemes like PMJDY, PMSBY, APY etc. to raise the living standard of every common man. It then becomes the part of the job of bankers to enroll maximum number of people for these various insurance schemes. Now a day Bank employees feel themselves more like an insurance agent.

Pressurizing to buy shares: It has been claimed by bank employees that they are being forced to buy the shares of their banks. For this even they are even being provided with the loan facilities on their F.D.s and LIC policies.

Recovery of Loans: To ensure the recovery and keep the record of timely payments of advances of customers is also a stress causing agent among bankers.

Problems of NPAs: Increase in NPAs can become a serious threat for the survival of banks in this competitive time. On one hand bankers are pressurized to sell PMMY to farmers on the other hand they have to handle NPAs. So banks have to device serious and planned strategies to deal these problems.

Target Based Culture: The target based culture regarding no. of accounts, deposits and advances has also raised the pressure among bank employees. They are continuously under threats by their higher authorities to meet the high set targets. For current and saving accounts bankers not only have to fight for deposits and advances but also they have to increase the numbers of accounts continuously on an average of daily 5 accounts.

Mid Academic Transfers: Bank employees not only they but also their children also suffer a lot due to mid

academic transfers.

Bureaucratic and Political interference: Sometimes pressure bank employees and higher authorities have to compromise and go against their ethical values due to high bureaucratic and political interferences.

Analysis of Impact of Unethical practices by Bank employees on banking business:

What is ethical & unethical, right & wrong in general society may not be the same in banking. As the latter operates in different environments with different objectives such as profit & wealth maximization so that sustainability can be maintained. Bankers are that group of professionals who has to interact with other group of people and general masses. Practicing unethical practices put a direct impact on banking business as discussed below

Closing of JD accounts: From secondary data it has been revealed that on 28 February 2018, 31.20 crore accounts have been opened under Pradhan Mantri Jan-Dhan Yojana (PMJDY) with aggregate deposit balances Rs. 75,572.09 crore. Of these, 25.18 crore (81%) Jan-Dhan accounts are operative. Instead of increase in number of accounts Public Sector Banks have reported that by February 2018 only about 59 lakh (1.9%) Jan-Dhan accounts have been closed since launch of the scheme (Refer Table No.4).

Increase in bank Frauds: Unethical practices among bankers have given a rise to quantum of frauds in banks. As per data the amount of fraud has been increased from 32048 Cr in FY 2017-18 from 23930 Cr of FY 2016-17 and the major contributions in this increase is from Public sector banks.

Employees opting VRS: Sudden change of bank policies like merging of banks may force bank employees to step up for VRS which can affect the efficiency of banks. e.g. 2800 bank employees at the time of merging of SBI and its associated banks in April 2017 opted for VRS due to uncertainties in possible relocation, change of job profile and post acquisition.

Undesired response for PMMY: PMMY loan scheme although was showing 13.04% growth from the previous fiscal year 2016. But just a week left before the year to end, disbursements were just about 60% of the target for the current year. It shows that response of people is not as desired (Refer to Table No.5).

Failure of APY: The scheme had a target of covering some 2.2 crore people by December 2015. News reports from January 2016, however reported immense disappointments. Only about 6.5 percent of the target was achieved in the initial 8 months of the scheme. Because of the fears that pension of Rs. 5000 after about 30 years is likely to fetch the value of Rs. 700 as on date. So unethical practice of designing the policies with business mind lowers the trust of people in those schemes.

From the above discussion we can conclude that there is a direct impact of unethical practices on banking business. If employees treat their customers ethically then they may beat their target at slow pace, but definitely they will win the trust of their customers which will prove their long term asset.

Suggestive Measures to Promote Ethical Environment:

Maintaining high ethical standards is matter of prime importance for every bank. Ethical behavior builds trust, trust builds confidence and confidence brings about profitability. Some suggestive measure are hereby proposed which can enhance and promote the ethical conduct.

Imposing code of ethics: Every bank can impose its own 'code of ethics' so as to earn public trust. Implementing code of ethics provides every employee a set of rules to be followed while being the part of the system.

Building Healthy environment: A healthy and progressive environment promotes the ethical character of an employee. Achievable targets should be set so as to increase the productivity of employees.

Good HR practices: HR department of banks and other financial institution must be planned such a way that it should consider problems and grieves of every employee and must make every employee an important part of the organization.

Do's and Don'ts: A clear, precise and unambiguous list of Do's and don'ts by banks for its employees can help to meet high ethical standards.

Counseling: Person holding unethical practices is said to be moral cowardice (when a person experience psychological discomfort when he/ she does evil directly or indirectly). Victim of moral cowardice should be provided with good guidance and counseling cells.

Regulatory authority: Framing a regulatory authority in the banks which not only checks and controls the bank operations but also checks the ethical norms and provide regulatory actions whenever needed.

Strict legal actions: Every organization should clearly define its serious course of legal actions for every employee without any discrimination against any kind of unethical and illegal(scams and frauds) conduct.

Orientation Programs: Lectures on practicing spiritual values with the help of spiritual books (Bible, Bhagwad Gita) and orientation programs by spiritual organizations can motivates ethical and spiritual virtues of

an individual.

Practicing green banking: Although green banking is topic of prime consideration now days as it helps in maintaining ecological balance. It stresses upon use of solar energy resources, avoiding much paper use, promoting mobile and online banking.

CONCLUSION:

While considering the economy of a country the main role is being played by banks. Any bank following the right ethical practices can certainly achieve success and reputation and hence can contribute towards country's growth and development. Ethical traits of an individual propel him to do right and justified things even when no one is watching him. Ethical behavior gives a sense of satisfaction and happiness for both employees as well as customers. As we all know a happy worker can be more productive and bring success for his organization and happy customer always want to stay with the organization. Being ethical is a practice that can be followed under the light of spirituality. Because ethics and spirituality goes hand by hand person who is spiritual posses some behavioral characteristics (honesty, truthfulness, compassion, sense of community) and these characteristics forms the basis of ethical behavior and vice versa. Although ethics develops in an individual at his early age in home, school and society but the instincts can be imposed and strengthened by the suggested measures as discussed above.

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LIST OF TABLES:

Table 1: Progress of PMJDY

(Figures in Crores)

As On	No. of accounts	Total Deposits	Average Deposits per account
31.3.2014	24.3	31230	1285.19
31.3.2015	39.81	43900	1102.74
31.3.2016	46.9	63800	1360.34
31.3.2017	53.3	97700	1833.02
30.9.2017	52.2	94100	1802.68

Source: Deptt. Of Financial Services, Annual report 2017-18

Table 2: Benefits under PMSBY

	Table of Benefits	Sum Insured
a.	Death	Rs. 2 Lacs
b.	Total and irrecoverable loss of both eyes or loss of use of both hands or feet or loss of sight of one eye and loss of use of hand or foot	Rs. 2 Lacs
c.	Total and irrecoverable loss of sight of one eye or loss of use of one hand or foot	Rs. 1Lac

Source: Deptt. Of Financial Services, Annual report 2017-18

Table 3: Various PMMY Loan Categories

Sr. No.	Category	Max. Amount
1.	Shishu	Rs.50000
2.	Kishore	Rs 5 lacs
3.	Tarun	Rs. 10 lacs

Source: <http://pmjandhanyojana.co.in/pradhan-mantri-mudra-yojana-bank>

Table 4: Statistics of PMJDY accounts

As On	No. of accounts opened	No. of accounts closed
Feb.,2018	31.20 (Crores)	59(lacs)

Source: <https://www.business-standard.com/article/news-cm>

Table 5: PMMY Credit Trend

Year	Amount Credit (in Crores)
2015-16	137,449
2016-17	180,528
2017-18	244,000 (Expected) 134,433.55(Achieved till Dec.,17)

Source: Department of Financial Services, Annual report 2017-18
