



St. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**AN INVESTIGATION OF BUSINESS ETHICS PRACTICE AND ITS
PERFORMANCE IN THE CASE OF LION INTERNATIONAL BANK
(LIB) S.C**

BY
GEBREKIDAN TADIS

ADDIS ABABA, ETHIOPIA

MAY 2019

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ID No SGS/0526/2010A

**THESIS SUBMITTED TO SCHOOL OF GRADUATE STUDIES, ST. MARY UNIVERSITY,
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DECLARATION

I hereby declare that this submission is my own work towards the Master of Business Administration prepared under the guidance of Prof. Belete Mebratu and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a University Advisor.

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ACRONYMS

CEO-Chief Executive Officer

CSM – Customer Service Manager

HRM/D – Human Resource Management/ Human Resource Division

IBD - International business department

IFRS-International Financial Report Standard

LIB – Lion International Bank

MSQ – Minnesota Satisfaction Survey Questionnaires

NBE-National Bank Ethiopia

NRO-North Region Office

SD - Standard Deviation

SPSS – Statistical Package Software for Social Science

Abstract

This study has tried to examine business ethics practice and its performance in the case of the LIB. The objectives of the study were to identify and analyze the business ethics strategy practiced at LIB banks, to analyze the effect of business ethics on the performance of the bank, to evaluate the challenges of implementing business ethics in the operations of the bank and to find out the best ways to adequately entrenched business ethics principles in banks particularly in LIB. The scope of the study was limited to business ethics practice in case of LIB. The study employed structured questionnaires of LIB. The research was basically analyzed using ordinal logistics regression analysis odd assumption were some of the statistical tools adopted for the research. It was found from the research that the bank activities are guided by ethical principles though not in all aspects of the banks activities. The Ordinal logistic regression analysis resulted, indicated that there exists a significantly positive relationship between the business ethics practices at LIB and the bank performance. It was also found that using working hours for personal activities and the banks equipment like telephone for personal use are some of the major challenge they face in the conduct of their duties. The recommendations given included, discussion of ethical issues in staff meetings should be practiced in the bank.

Key Words: Business Ethics, Code of Ethics, Staff meetings

CHAPTER ONE

INTRODUCTION

This chapter introduces the research topic by presenting background of the study and demonstrating the need for this research. An explanation as to why this research was conducted within the banking sector is given. The research objectives and questions are presented in the context of the conceptual framework and the scope. Limitation, delimitations, justification and definition of terms are also presented in this chapter.

1.1 Background of the study

Ethics is a universally sensitive topic that has in the recent past assumed great importance and attention in business globally. Banking Industry is one of the most important service industries which touch the lives of in millions of people. Investors or peoples entrust their resources to the employees, management and board of directors believing that they are ethical, accountable and transparent.

The upholding of an ethical culture in banking is of critical interest to regulators, banks, employees and customers alike. Because it goes to the very heart of human nature, the question choosing the good over the bad, the right over the wrong, the fair over the unfair, and the truth over the lie” are not simple subjects. But since it is so important to the well being of individuals, social communities, private business and the nation, it is worth some thought" (Muchene, 2006).

Activities and actions of mature and ethical employees at workplace are demonstrated by balancing between the interest of employees and the company. Employees can carry out their duties in a smoother way when they follow rules and regulations and act in an ethical manner while the situation is reversed if the employees turn out to be unethical.

Ethics deal with human and business actions from the point of view of their being right or wrong, as a means to the achievement of man's ultimate happiness, usually in-terms of rights, obligations, and benefits to society, fairness and specific virtues. Several business enterprises have been functioning mainly on the traditional belief that it is the primary objective of business is to protect the interest(s) of stakeholders. According to Newell, 2012, when Banks act unethically their actions have detrimental outcomes on others and in ways that are morally unacceptable to the larger community.

By appreciating the importance of ethics in businesses, this study is designed to examine the practices of business ethics in Lion International Bank S.C. Currently the Bank has greater than 210 branches and in all area of the country , 11 members Broad of Directors ,5 members Executive managements 11 departments hold. The main product of the bank is financial service provider in financial sector and other loans and facilities like as Guarantee, overdraw, pre-shipment , merchandise and international banking services.

In developing countries of the world there are a number of business firms that conduct their activities in unethical manner, and it is highly linked with economic problem. Particularly many peoples in developing countries like Ethiopia are striving to satisfy their basic needs. Combined with other causes, unethical practices to satisfy their economic interest created serious problems on business operations of developing countries of the world.

Banking business depends on trust, necessitated by the complexity of the transactions and the vulnerability of customers due to imperfect information. An ordinary bank customer does not have the opportunity and adequate knowledge to understand most banking transactions. Due to this, more social responsibility towards the actors of community (Government, Customers, Shareholders, and Employees) is demanded from financial intermediaries such as banks.

1.2. Statement of the problem

Banking industry is the fastest growing sector in our country and being an intermediary between the depositor and the creditor must be more sensitive to the ethicality of its transactions and have to content with numerous ethical 'gray areas' in their day-to-day decision-making. In the recent past, commercial banks and other financial institutions have received much attention from researchers and scholars on the manner of the ethical embracement in their business operations. For instance, Banks have an overwhelmingly dominant position in the county's financial system, and are an extremely important engine of economic growth (King & Levin, 1993).

When banks are declared insolvent, many institutions and individuals lose their money. This is according to Charkham (2003) who observes that banks are different from the generalities of companies in that their collapse affects a wider circle of people and moreover may undermine the financial system itself, with serious effects on the entire economy. Based on these views, ethics in banking actually affect the very well being of our lives. To minimize negligence and financial loss to corporations, investors, creditors and employees, this

research was important in order to make recommendations on the way forward. The customers and Bank employees so ignorant of what is ethical and what is not? is it ethical significant numbers of complaints was being received from Bank employees and prominent customers in operating activities . This was enough reason to study the ethical phenomenon in the lion international Banking industry. And the national banks of Ethiopia in its letter ref No. ም/ቋ/ዌተሱ/003/2016 ጎዳር 20 ቀን 2008 ዓ.ም has sent guide line on good governance and ethical issues to all banks in Ethiopia in views of the fact that there is growing concern with unethical practices in banking industry of the country. Such unethical conducts can be manifested violating laws of banks and breaking of business ethics especially in area of fraudulent dealings, lending, foreign currency allotment, human capital, abuse, mismanagement, poor employee's performance, poor customer service, etc. This violation of laws and ethical standards may in turn lead to the loss of" public confidence, loss of business, loss of job and liquidation of the banks" The Banking industry is also a unique industry different from the co-operative movement, that calls for a tailor made study.

The ethics arm of corporate governance has never been given due attention, safe for what appears in textbooks, dailies and management Journals. This study was therefore designed to fill the gap by seeking to determine the level of ethical knowledge and violations in the Lion International Bank S.C. The study would shade light on the need for commercial banks to uphold high ethical standards 'for their own good' and for the good of all stakeholders. Though the issue related to business ethics in general have been addressed by some scholars, the impact of ethics in banking business of our country in particular have not been given much emphasis. LIB has tried to include some ethical principles in Human capital policy and procedure manuals and also adopted code of ethics .However in real situation these documents are referred only at the time of employees punishment and during especial investigation needed concerning employees of the banks. The goal of this study is therefore, to examine business ethics practices at LIB. A 2002 World Development Report on the basis of empirical studies points out that a sound financial system helps to mitigate risks, create confidence, attract savings and create opportunities for investment. It is also said that corruption, which is the consequences engendered by unethical banking system, can cost the poor three times more than the rich (Dogarawa, 2004).

1.3 Research Questions

Based on the above stated problems the study has tried to address the following research questions:-

1.3.1 General Question

what does the overall business ethics practices of the Bank looks like?

1.3.2 Sub Questions

- What are required by the existing and future employees of LIB in the field of ethics?
- What are the effects of business ethics on the success of Lion bank?
- What are the challenges of implementing business ethics in the operations of lion bank?
- What Ways by which business ethics principles can be adequately well-established in LIB?

1.4. Objective of the Study

1.4.1 General objective:- The main objective of the study is to examine business ethics practice in LIB.

1.4.2 Specific objectives:-The specific objective of this research is:

- To identify and analyze the business ethics strategy practiced in LIB
- To analyze the effects of business ethics on the performance of LIB.
- To evaluate the challenges of implementing business ethics in the operations of bank.
- To infer ways by which business ethics principles can be adequately entrench in LIB.

1.5. Significance of the study

The study provides ultimately induce the management of the banking industry to pay due attention on the enhancing ethical practices psychological and behavioral aspects of employees and set policies and strategies that could meet the eventual goal of their respective banks. The findings of the study would provide vital information to human resource managers and policy makers of the bank to either re-think or consolidate ways of incorporating culture to enhance bank ethics of employees. Why the fascination that prompts me to write about Business Ethics? These violations of laws and ethical standards may in turn lead to loss of “public confidence, loss of business, loss of job and liquidation of the Banks”. I am sure that some of the reasons stem from realizations such as the following:

I want to have a better understanding of why the most unethical habits don't follow by the bank code of ethics.

The business ethics in the organization requires the utilization of knowledge from many disciplines, including social and counseling psychology, employment law, management theory, and more. These are some of the dimensions that fascinate me and that inspired me to write this working paper to get answers to the customer's complaints and have trust to the organization.

1.6. Scope of the study

The research focused on Head Addis Ababa head office, branches and Mekelle District and branches of Lion international bank. The ethical issues of the LIB were analyzed to know its impact on the success of the banks in terms of business ethics practice.

1.7. Limitation of the Study

To conduct this study there was many challenges that affect the quality of the paper and hinder the progress of the research. Due to the broad nature of business ethics, the research did not include other areas other than the above variables although the study would have given the whole picture of Lion International Bank Share Company if all Branches were covered. However, the study is focused only to head offices ,NRO Districts and city branches of Lion International Bank employees located at city Addis Ababa and Mekelle branches due to time, Geographical location and Budget Constraints to address all employees.

1.8. Organization of the Paper

This research paper consists of four chapters. The first chapter contain of the background of the study, statement of the problem, research questions, objective of the study, significance of the study, delimitation of the study, research design and methodology, limitation of the study and organization of the study. The second chapter contains literature review of the study. The third chapter deals with the data presentation analysis and interpretation of the research study. The fourth chapter will have summary, conclusion and recommendation based on data collection analyze and interview. Finally list of reference or bibliography and other related documents are attached.

CHAPTER TWO

LITERATURE REVIEW

Introduction

The chapter reviewed all literature relating to the subject matter under research. The chapter dealt with the various issues that relate to the business ethics in banks. Ethics play an instrumental role in businesses of which banking is no exception. Ethics cannot be underestimated in the field business since it is a key determinant of the economic development of a country.

2.1. What is meant by ethics?

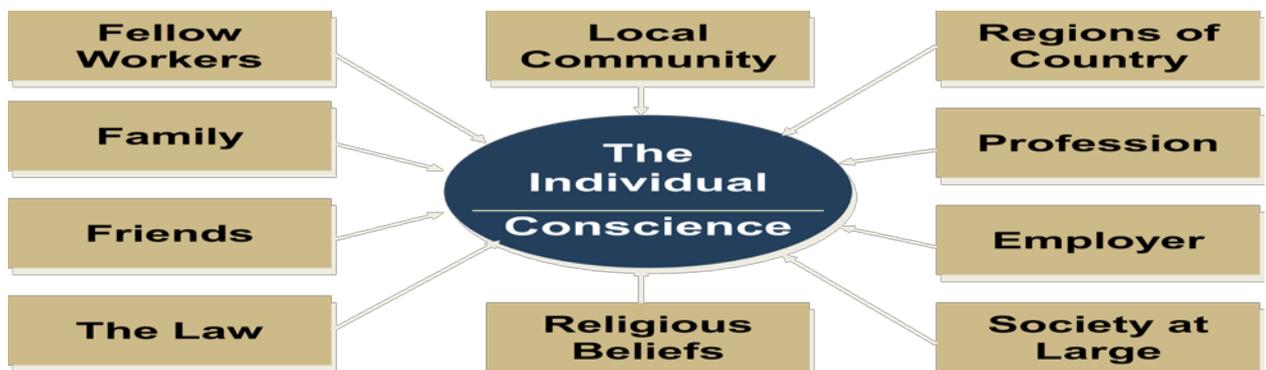
Ethic is a moral principle or set of moral values held by an individual or a group. Ethical behaviour is behaviour which is considered to be right and moral.

Why be ethical?

- Create good image and good press
- It is one of their unique selling points
- To attract customers/employees/investors
- To act within the law
- To be socially responsible

Ethics is the branch of philosophy that focuses on morality and the way in which moral principles are applied to everyday life. Ethics has to do with fundamental questions such as “What is fair?” “What is just?” “What is the right thing to do in this situation?” Ethics involves an active process of applying values, which may range from religious principles to customs and traditions.

2.1.1 Sources of Ethical Norms



2.1.2 Work Ethics for an Employer

- To provide a safe work environment for staff and employees
- To treat employees with dignity and respect
- To provide a fair wage for the services rendered
- To handle all business transactions with integrity and honesty

2.1.3 Work Ethics for an Employee

- To show up on time
- To tend to company business the whole time while at work
- To treat the company's resources, equipment and products with care
- To give respect to the company by working with honesty and integrity
- In connection to work ethic qualities are the main variables.

2.1.4 Why Managers / Employees Behave Ethically



2.2 Code of Ethics

Corporate citizenship and low-risk company ethics profiles start with a corporate code of ethics. As ethics in business have changed, the field of business has experienced increase over the past years. Codes of ethics have become the determinant of the actions of people at the workplace. It is however important to state also that developing a code of conduct is by no means the only source of prosecuting the ethical objectives of an organization. Although codes of ethics seems to be the very first approach employed by managers of organizations, if the code is implemented and drafted in a single instrument, the organization will not have optimum benefit from the set of codes of conduct.

2.3 Meaning and concept of business Ethics

Business ethics focuses on what constitutes right or wrong behavior in the world of business. Corporate business executives have a responsibility to their shareholders and employees to make decisions that will help their business make a profit. But in doing so,

businesspeople also have a responsibility to the public and themselves to maintain ethical principles. Generally can be defining in thesis form

Ethics	The discipline that examines good or bad practices within the context of moral duty and obligation
Moral conduct	Relates to principles of right and wrong in behavior
Business Ethics	Concerned with good and bad or right and wrong behavior and practices that take place in business
Descriptive Ethics	Involves describing, characterizing and studying morality - Focuses on "What is"
Normative Ethics	Concerned with supplying and justifying moral systems - Focuses on "What ought / ought not to be"

The concept of ethics is explained as a set moral principles which differentiates between right and wrong (Velasquez, 1996). It is normally considered as normative. This is because ethics gives justification for abstract standard by which people act. According to Garrett and Klonoski (1990), this is normally a person's understanding of whether a decision or act is wrong or right. Ethics in the field of business deals with business situations, activities and decisions which explains issues of right and wrong are discussed (Collins, 1994). Newell (2012) also sees ethics in the field of business as being concerned with understanding moral principles by which business organizations can be evaluated. It also explores its impact on people and the environment as a whole. Donaldson (1989) defines business ethics as the systematic study of morality as far as the field of business and industry.

Therefore, ethics of business can be explained to be a group of individual's honest deeds, as part of the combined, no one saves every form of business while not harming the relationship in the company and the broader environment. The general public has developed interest in the debate of business ethics, corporate social

Responsibility and is treated as individual and also in a collective form. Question of whether a company has something to do with the ethics of the individual and the collective. Many scholars have disputed the existence of a relationship between ethics and business. This is

because people believe that morality can only be found in religion and others also see the relationship between morals and religion. All businesses have a lot of things in common with morality and actions that are considered as moral actions. There are two basic dimensions of ethics in the field of business. This includes collective and individual ethics. Collective ethics are those that embody the application of Collective ethics are those that embody the application of decision-making process of the government. It borders on the external issues such as environmental and ethical relationships in the field of business itself. Individual moral concerns of business ethics rules adhere to the norms of customary business morality. When a person has a moral deficit, it presupposes that such individuals put their personal interest before the collective and legal norms, and before the rules of acceptable business ethics, which can harm the business climate. Personal morality is the central element in a group or collective moral (Costa, 1998

Inventory of Ethical Issues in Business

Employee-Employer Relations

Employer-Employee Relations

Company-Customer Relations

Company-Shareholder Relations

Company-Community / Public Interest

2.4 Banking Ethics

In banking ethics is a system of rules and standards of conduct for banking institution and its staff. In other words, banking ethics is a particular form of economic ethics, is the body of rules and moral norms covering the conduct of banking employees (business

banking), both individually and collectively. Banking ethics rules, being highlighted as a separate class, have long evolved with the development of financial activities, which in time

became banking. Many experts believe that the banking ethics is a form of professional ethics in the field of finance, which exists along with the universal principles of morality and is characterized by specific norms of human behavior in its specific activity. The banking ethics are two levels of manifestation:

- Corporate banking ethics, that is, a set of ethical standards of conduct of the bank as a legal entity;
- Bank etiquette - rules of conduct bank employee. Depending on the scope can be distinguished two forms of banking ethics: internal and external (Ethical banking, n.d.).

Internal banking ethics contains rules of conduct between bank managers, shareholders and employees. This type of ethics is designed to create a favorable psychological climate and cultivation of the spirit of cooperation in the banks, avoiding and resolving internal conflicts and prevent domestic bank fraud. External banking ethics governs the conduct of bank managers and employees with business representatives of the bank. It meant to create a positive image of banking institutions, fostering collaboration, avoidance and resolution of external conflicts of banks. Actual theory examines the bank as a financial institution customer oriented, occupied by permanent lifting quality of its products, whose business is based on massive deployment of information technologies. This inevitably leads to improving ethical banking standards.

Modern banks are motivated to have ethical conduct based on the following considerations:

- Ethical behavior can become a competitive advantage that can help the bank to expand its customer base and increase revenue.
- Reputation and positive image of the bank also attract customers ethically aware.
- Banks well-known for ethical conduct may be able to attract and retain qualified and honest employees, optimizing human resources management and internal management and improving operational efficiency.
- Positive bank's reputation can facilitate effective and timely obtaining of additional capital. With the deployment changes in philosophical visions, social, economic and global financial metamorphoses, banking ethics has become one of the concepts addressed in the most diverse.

2.4.1 Basic principles of banking ethics

The basic principles of banking ethics are following

1. Principle of mutual trust is of paramount importance to the successful operation of the business system. Important and valuable offers are often contracted by telephone, without witnesses, while the relationship between participants is dominated by the inviolable principle of mutual trust;
2. Principle of mutual benefit and interest means that none of the partners in a business relationship should feel cheated;
3. Principle of good intentions is very important for business ethics and moral behavior. This basically means that there is no intention to treat business partner in an immoral, if it relates to fraud, theft or other undesired handling a business partner;
4. Principle of business compromise and business tolerance refers to harmonize conflicting interests of participants in the business process;
5. Principle of ethical improvement of business be heavier is availability business partner to accept the mistake that was made as a result of his own actions. He should admit mistakes and to respond in an appropriate manner;
6. Principle of domopolization of one's own position as monopolistic behavior on the market contains no ethical value market;
7. Principle conflict between their business interests of participants refers to the inability to relate common personal interests, whilst having the same ethical values.

2.5. Banking Ethics Concepts

During the development of banking were developed three general concepts of banking ethics:

1. **Concept of general ethics:-** is related to the promotion of the basic idea of the banking that there can be no moral standards other than generally accepted by society. This is the earliest conception of the ethics of banking rather be called general banking ethics and some basic rules, for example, are related to the formation of customer relationships have been formed since antiquity. In some countries, traditionally, any activity, including banking, is influenced by the dominant religion.
2. **Concept banking professional ethics:-** is linked to the promotion of banking ethics opinion

that once in different fields of human activity, such as medicine, justice, audit, state, etc., are allowed special rules of behavior, then they should exist in banking.

3. Concept of ethical bank:- (which in some sources is called *social civic, or sustainable banks*.) activity is related to the financial institution that gives priority in its social and environmental impact of its investments and loans (*Ethical banking*, n.d.). Promoting support for sustainable development in the banking sector is facing two main directions (Eremia, Stancu, 2006):

2.6 Role of ethics in banking

Theory that depends mainly on the ideology of what is right as against evil assist in defining the business of banking basing on ethics. According to Ristić et al (2004), the fundamental ethical concerns include: Mutual trust principle: this has a major importance in order to ensure a proper operation or running of the business structure. The telephone is sometimes used to conduct important and cherished deals, without the presence of third parties, while the two parties relationship is subject to the firm principle of mutual trust. Principle of mutual benefit and interest : This simply means that no party to a business should in any way be cheated: Principle of good intentions: It is an instrumental part of a business. It enhances good business ethics and also strong moral behavior. This principle presupposes that there must not be any prepared mind to treat any partner in the business in an immoral manner. Principle of business compromise and business tolerance: This means that there must be a strategy to peacefully co-exist all conflicting parties in a business process. Principle of ethical improvement of business behavior: This is the preparedness of an entity to readily accept his mistakes in his dealings with other parties.

2.7 Ethical Banking

"Ethical Banking" relates to financial services that seek to advance sustainable development and equality. "Ethical banks" supposedly hold the notion that measurement of profitability should not only be in financial terms but socially as well. Ethical banking allows direct financing through the use of loans and also venture capital which allows meeting the needs of business owners, businesses and institutions. The co-operative movement which began in the twentieth century is a typical example which demonstrates how important mutuality and coactions can help fulfill needs within membership institutions. Contemporary cooperation forms focusing beyond membership needs such as the microfinance movements and fair trade, which combine social with economic values, are a step in the right direction as far as

practicing and understanding of solidarity and brotherhood in the global economic context. The use of both the cooperative movement and the social movement which started in the 1960's has been able to include ethical banking in its activities. Cooperated banks and other social banks have been able to co-exist and have made most of the mainstream banks aware of the opportunities that exist in this sector. The value chain provided through Banking and Finance has been seen to be interlinking with the cycle of rendering adequate financial services and products so far as there are no clear-cut guidelines pertaining to banks and criteria on ethics, social and sustainability aspects, the individual co-worker or the lending committee are generally applying the „neutrality rule“, excluding ethical, social and environmental considerations from the bankers' decision making.

2.8 Importance of Business Ethics

Business ethics have become a very important topic in the study of business today and the dilemma that comes with ethics have made the subject matter very attracted to many different categories of people. There is massive pressure from some aspects of consumers and pressure groups for business to produce goods and services that are produced under ethical considerations and not harmful to the environment. Media companies and personnel's around the world are now showing a keen interest in wrong doings and unethical practices by corporate institutions.

2.9 Essence of Ethical Behavior

A behavior that is seen as ethical is mostly as a result of the values attached to it by the society and legislations that support it. The main role of the legislative, executive and the judicial arms of government is to protect the health and security needs of the citizenry and also provide all required amenities and infrastructure that will protect all from criminal or harmful activities or practices that can harm any citizen. Legislations are mostly supported by codes of conduct to ensure strict adherence in order to avoid going against the law. Such codes are often seen or experienced in quasi-public organizations or associations such as the bar, accountants, medical practitioners and other professional bodies. Schools or any institution for education also maintain such codes of conduct that guides all in that setting or community and activities of most business schools have given an attestation to this effect. There is a lot more introductions of courses that tackle ethical concerns and how it can boost or increase performance in both public and private institutions.

2.10 Making decisions in business ethics

Ethics does not follow any formal format. It varies from one situation to the other. It is abstract in concept. Therefore, there is no any universal way by which ethical issues can be approached. As the concept of ethics deals with the human being only, because only human being can do anything according to their choice and free will. Ethical decision is one of the result occurred due to the choice. Each and every person has the different viewpoint. Ethical practices of people are also different. Therefore, decisions pertaining to ethics vary from one person to the other. Ethical decision is not uniform it may vary from person to person and situation to situation. Being a labor intensive project, a number of persons are engaged in the project. At the construction site, if it should be found out that one of the employees has gone missing during work, work will definitely be stopped in search of the missing employee.

2.11 Theoretical Frame work

There are a number of tones to explain and analyze the concept of ethics. According to research findings (<http://media.wiley.com>), some of these include the Agency theory borrowed from the fields of finance and economics, the Transaction Cost theory borrowed from economics and organization, and the Stakeholders theory borrowed from sociology. Although there are major differences among the various theories as each of them attempts to examine the concept but from different perspectives, they do share some significant commonalities. Other approaches to the study of ethics include the Organizational theory and the Stewardship theory (Tricker, 1998).

2.12. Empirical Studies on Ethical Behavior

In their research paper under the title “Ethical Behavior in Organizations: A Literature review, Marmat Geeta, Jain Pooja and Mishra PN)(2016) have stated that “Ethical behavior has become rampant remedy to be succeeded in business by pretending that it has unique characteristic.” After reviewing available literatures on ethical behavior, they have categorized them into “individual, organizational and external factors”. According to the paper, individual factor is the most important in behavior and “can be taken as unit of any ethical decision making”. While “organizational factors are the factors which are external to the individual and exist in the work environment of the individual and directly or indirectly influence individual in their ethical behavior.” Among them are “code of ethics, ethics training, rewarding system, limate, structure etc.” are very important ones. Factors like “competition, influence of stakeholders and regulation system” are mentioned as external to

the individual and the organization because individuals and organization have no control over these factors.

2.13 Application of Ethics to Banks' staff

Conceptually a Bank is known as a financial institution, which serves as a financial intermediary among various components of our society. As was shown in the previous sections of this paper, the primary task of a Bank is to accept deposits and provide credits either by lending or through capital market. "A Bank is a financial establishment which uses money deposited by customers for investment, pays it out when required, makes loans at interest" – Oxford Dictionary (2008). On the basis of the definitions given at various sections of the paper, Bank is a institution which deals with money. Each Bank performs various functions like money lending, accepting deposits, transferring of money, facilitation of import export business, e-payment, management of foreign exchange etc. All those activities are closely related to the confidence of the public, which is to a great extent driven by the degree of responsibility with which Banks' management and employees treat clients, the competition and cooperate with one another. Green (1989) revealed that a "Bank's responsibility extends to Government, customers, shareholders, staff, and the community. Companies do have ethical responsibility, but it is not protected by limited liability from the consequences of their actions. A company's record and the perception of its ethics affect its reputation and ensure long-term success or failure." Further, he concluded that as we face increasingly complex and conflicting issues, our commitment to ethical behavior would be tested. "The fact that Banks, as organizations which fulfill investment and saving functions by playing an integrating and intermediary role between the fund-supplying and fund-demanding parties of the society, have also adopted profitability and productivity principles, obliges them to stick to ethical principles during their operations in both professional and corporate domains. If we want to realize our general objectives of growing our banking system, raising the banks' service quality, using the resources most appropriately, and preventing unfair competition between banks; we have to formulate and regulate the relations of the banks with each other and with other organizations as well as their relations with their customers, shareholders and employees in line with ethical principles". (The Banks Association of Turkey, 2010) "The image and reputation of a Bank as well as people's confidence in the bank depend heavily on the behavior of its employees, their ability to interact with and show attention to their coworkers and clients." The Human Resources Policy of Lion International Bank S.C (2015) contains many tips and requirements for the staff. An employee must seek the right decision both for the client and

the bank, and try not to make irresponsible promises that may not be fulfilled. “Interaction while maintaining eye-contact with the person you are talking to is a very important principle of social behavior.”

"Probably the most important thing that is missing in interaction is the ability to listen, defer challenging another person's opinion, try finding positive aspects, look for a compromise, see and appraise both what is good and bad. One way to develop communication skills is to attend special training courses at banks. The exterior image of the employee – the way they are dressed, how tidy their workplace is – is very important. The management of the banks that hold licenses issued by the Bank of Lithuania and a foreign bank branch have been surveyed anonymously, without disclosing the names of the banks in this paper, about their priorities for the existing employees and new staff members to be recruited.

They were asked to rank (on a 100-point scale) the following qualities of employees pertaining to ethics: professionalism and competences; honesty and thoroughness; transparency and accuracy while maintaining bank secrecy; possession of views and criticism; ability to communicate, conflict avoidance; fairness very much similar" (Filomena Jasevičienė, 2012). “What does Code of Ethics mean to Bank of America? It means that individually we each uphold a commitment to our company's Core Values as guides for our daily conduct; and as a team we act with a shared ethical responsibility to always do the right thing.” (Ric Struthers, President, Global Card Services, 2014).

2.14. Ethics and employee performance

Employee performance is very important element for the success of any organization. But organizations' destiny can't be decided by the performance of one or two employees. The organization's performance is the shared and sum total effort of all of its employees.

“Performance is the key multi character factor intended to attain outcomes which has a major connection with planned objectives of the organization” (Mwita. 2000). The leaders and the employees of an organization are all expected to perform to the maximum of their capabilities to achieve organizational goals and objectives. The organizations have also some expectations from their leaders and employees. So, in many situations the employees try to fulfill these expectations, but in some cases, they are dependent on their bosses or the management for proper guideline. Therefore, “employees must be trained so well to show performance by accomplishing their tasks and responsibilities artistically.” “An efficient leadership plan can be a strong weapon for support to assist in discovering and polishing leadership characteristics between the employees of the organization.” Studies have shown

that ethics affect employee performance in various ways. workers who were given work with their favorites were happier and satisfied than those who were just given salary and good working environment. So the conclusion follows that a worker likes to be respected and give respect to co-workers, management and customer of the organization. "Although money is an important stimulant for work, if the worker is not given respect and honor he/she would leave the job and reject monetary incentives. In work place if workers get a feeling of discrimination they lose interest in jobs. Absenteeism rises and worker do not come up to the expectations of the company. They reflect their dissatisfaction on co-workers and customers and thereby affecting company's performance." According to Grant and Hoover (1994), "Ethics are closely tied to culture of an area, and as culture differs from place to place, ethics may also differ". This would also be true for Banking services. Even ethics of one Department may differ from that of the other. Employees deserve to work in an environment that makes them feel comfortable and productive. Just like other duties, employee must know what is expected of them in relation to conduct and ethics.

"Department leaders also must create an environment that makes it possible for Department members to bring their mistakes out in the open instead of trying to hide them" (Marinucci, 1992). A company can't expect employees to maintain a high level of ethical behavior if they have no clear guidelines to be guided by. "Having a written policy helps to create this atmosphere and makes members aware of the kinds of behaviors expected of them in specific situations, the repercussions that can occur when they do not meet the expectations, and the manner in which the Department will handle infractions". (Marinucci, 1992). According to Steffens, we must recognize the impact & importance of ethics and the potential for un-ethical behavior to destroy any public respect that the profession may still have. He stressed we must work to ensure that our organization has a clear and written ethical code which will give employees a clear understanding of what is right or wrong (Steffens, 1994). In a study conducted on 100 successful corporation in USA, it was found that each companies had a written code of ethics and it was made understood by all employees and was an integral part of each company's corporate culture (Business Roundtable 1988). Another research conducted by Shea (1988) has also shown that a consistent pattern of ethical conduct among managers and within the organization helps solve many problems and contributes to high performance.

Code of ethics would provide important tools that employees could use to make right decisions and the concept Total Quality Management (TQM) is all about making the right decisions and satisfying customers. "Ethics involve more than one self. Ethics is about how

the results of our decision affect the customer and the service provider equally. Ethics has a great deal to do the overall total quality of an organization (Dr. George Thomas, 2003). Some of our organizations both public and private duplicate written codes from different countries. It is also common to see organizations of varying nature use similar code of ethics. But according to Grant and Hoover (1994), "Ethics are closely tied to culture of an area and as culture differs from place to place, ethics may also differ. "Recent approaches to management like Management by Objectives or MBO and employee empowerment, has their roots in the improving ethical behaviors and have a strong ties with the employees. Thus strong ethical culture improves employee behavior. Getting employees' ideas and getting their involvement is not an option anymore. If our workforce is going to be competitive, it's mandatory to involve the minds, hands, and ideas from everyone in the organization." This is particularly true with the Banking business of today. "A strong ethics program can bring in many concrete benefits for an organization, from increasing customer satisfaction, to improving employee morale, to conserving resources and saving costs. "

2.15. What Lion international Bank S.C Documents say about Ethics

In its corporate mission statement, the Bank signifies its intent of "providing efficient and customer focused domestics and international banking services". In the core values of the Bank and statements included in the Human Resource Manual as a 'code of ethics', some important element of ethics like confidentiality, honesty, reliability, password related issues etc are mentioned with corresponding penalties for failure to obey them. Issues like prudent lending, fair allocation of foreign currency to customers, the consequence of involving in activities like taking bribes, exaggerating value of building on engineering estimation for personal gain purpose are all strictly prohibited and are documented in the form of Policy and Procedure Manual to be used by the corresponding work units of the Bank.

2.16 The Six Pillars of Character

The main character of any business ethical has six pillars these are;

Trustworthiness:-integrity, honesty, promise-keeping and loyalty

Respect:-it is our duty to treat everyone with respect, courtesy, politeness & dignity. Listen to and communicate openly with each other and with the customers in order to build mutual respect and long-term working relationships.

Responsibility: -Don't make excuses, Accept responsibility for decisions, fulfill all obligations, do not over-promise, "Life is full of choices—what you do and don't do matters" v "Choosing not to choose is a choice."

Fairness: -Listen make decisions based on careful and appropriate consideration

Who do we let go?

Caring: -Compassion and concern for others Kindness and consideration, Mercy and forgiveness, Empathy, Gratitude and Expressed Thanks. Truly care about each and every customer, employee and vendor.

CITIZENSHIP : -Play by the rules Respect authority, Do your share, Within the workplace keep proper records, Follow office procedures ,Be a good office neighbor and pursue the common good

2.17 Components of Good Character

Moral Knowing: Moral Awareness, Knowing moral values, Perspective-taking, Moral Reasoning, Decision Making and Self Knowledge.

Moral Valuing: Conscience, Self-esteem, Empathy, Loving the good, Self-Control and Humility

Moral Doing: Competence, Will and Habit

2.18 Three models of management ethics

1. Immoral management 2. Moral management 3. Amoral management

Immoral Management	An approach devoid of ethical principles and active opposition to what is ethical
Moral Management	Conforms to high standards of ethical behavior or professional standards of conduct
Amoral Management	<ul style="list-style-type: none">▪ Intentional: does not consider ethical factors▪ Unintentional: casual or careless about ethical factors

2.18.1 Three Models of Management Morality and Emphases on CSR

Models of Management Morality	Components of the CSR Definition			
	Economic Responsibility	Legal Responsibility	Ethical Responsibility	Philanthropic Responsibility
Immoral management	XXX	X		X
Amoral management	XXX	XX	X	X
Moral management	XXX	XXX	XXX	XXX

Weighing Code:
X = token consideration (appearances only)

2.19 Benefits of Ethics in the Workplace

Business ethics in work place have personal and other benefits.

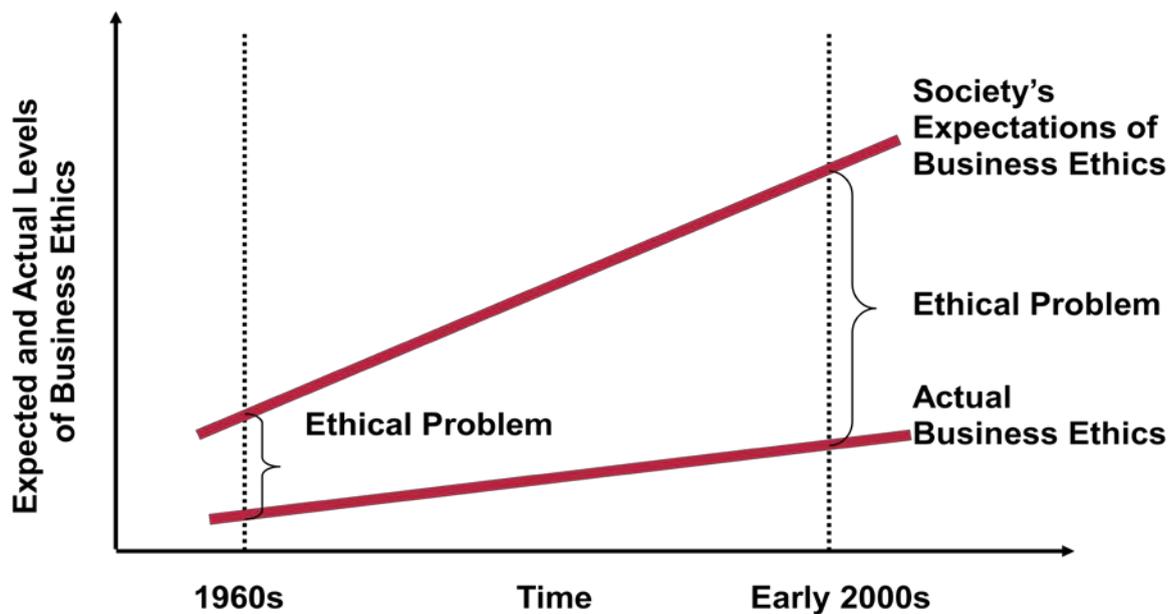
Personal Benefits:

Peace of mind
Pride
Good reputation
Trust

Other Benefits

Ensure policies are legal
Improve society
Maintain a moral course in difficult times
Develop strong teamwork and productivity

2.20 Business Ethics Today versus Earlier Periods



2.21 Empirical review

According to Green (1989) the responsibility of the bank is not only to shareholders' value but to the government, clients, staff and to the community at large. Ethical responsibilities of banks are not preserved by limited liability from the reactions of their actions. The ethics perception of companies with regards to their records affects them positively or negatively considering their reputation. However, as the community faces conflicting issues as it evolves, dedication to ethical behavior might be examined.

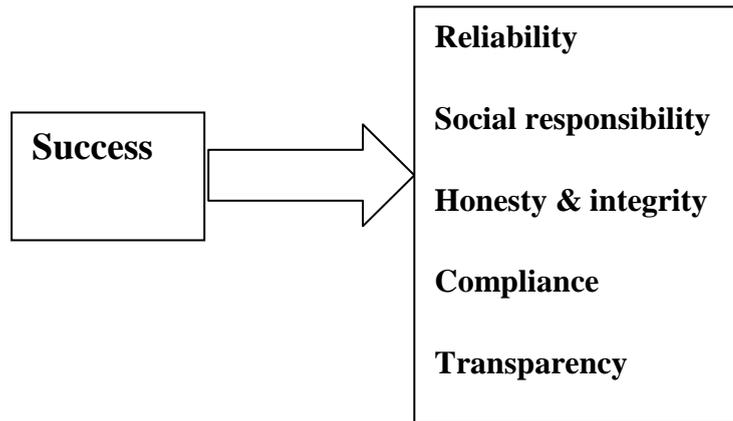
Many scholars revealed strategic challenges faced by companies in this century (Hitt, Keats and DeMarie, 1998). They identified this initiative as a means of building and maintaining competitive advantage as a way of surviving in the global market leadership. In their study, they concluded that to succeed as a bank would depend on strategic leadership and flexibility through core competencies including human capital development, and efficient use of new technologies.

The study of (Parker 1988) provides a deeper background for most of the more contemporary theories in business ethics. The study made by (Kaler 1999), questions the value and the function of ethical theories and in so doing is very readable and through provoking. In combination with a reply by Tom Sorrell in a later issue of the same journal, this debate helps us to understand the potential and the limits of the theories.

Recently, however, several authors have noticed a renewed focus on organizational ethics, among them Lynn Sharp Paine (2003), a noted Harvard professor of business ethics. In her book, *Value Shift*, Paine explains that ethics has found its way back onto the agenda of organizational leaders.

2.22 Conceptual frame work

The model has one dependent variable (success) and the numbers of categories in the independent variables are reduced to reliability, social responsibility, honest & integrity, compliance and transparency, this is due to the fact that the average of the questions with in these items is taken & some categories lost & merged.



CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Description of study Area

The study was conducted in Addis Ababa head office, branches and Mekelle District and branches of Lion international bank. Mekelle is the capital city of Tigray, region and Addis Ababa is the capital city of Ethiopia.

3.2 Research Design

Research design is the road map that guides the investigator in the process of collecting, analyzing and interpreting observations. It is blue print that enables the investigator to come up with solution to the problem and guides him or her in various stages of the research (Nachmias, 2003).

In this study the researcher has applied descriptive type of research design. A descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variables in certain situation. The aim of a descriptive study is to provide the researcher with a profile or to describe the relevant aspects of the phenomenon from an individual, organizational, industry-oriented, or other perspective, (Sekaran, 2003).

According to Mugenda (2003), descriptive research is used to obtain information concerning the current status of the phenomena to describe what exists, with respect to variables or conditions in a situation.

In different studies applying different study designs is usual. The objective of the study dictates what type of study design to use and to select. In addition to this, the allocated time to the study, the allocated budget and the type of data collected determines the research design to be deployed. In this study the descriptive study design approach which is more specifically the cross-sectional approach is used. Different research designs could have been applied, but all of them do have different advantages and disadvantages. In this study the objective of the study is to assess the business ethical practices of banks. Therefore, to assess these enterprises as they are somehow busy and only one time data collection were used and thus cross section research design with descriptive data analysis is used.

3.3 Sample size and sampling techniques

The Population refers to the group about whom the researcher wants to know more and from whom a sample can be drawn. Were employees and customers of LIB Mugenda (2003) Therefore target population for the study was 420 prominent customers and permanent employees of the bank that include CEOs, middle management, IT departments, risk and compliance, legal section, alternative channel departments, IFRS,NRO (North region office), IBD (International business department and the likes which the researcher selected each element of the study based on stratified simple random sampling.

3.4 Sample Size

An optimal sample should be one which fulfills the requirements of efficiency, responsiveness, reliability and flexibility. Accordingly, if a population from which a sample is to be drawn does not constitute a homogenous group, stratified sampling technique is generally applied in order to obtain a representative sample of the target group, (Kothari, 2006). Thus, since the target population this study consists of customers and employees at different managerial level and understanding capabilities, I considered the population as heterogeneous. Therefore the , researcher employed a stratified random technique which is a probability sampling technique where in the researcher divides the entire population into different subgroups or strata, then randomly selects the final subjects proportionally from the different strata. Stratified random sampling was necessary since the study had sub-groups in target population whose response is important in achieving the objectives of the study.

3.4.1 Sampling Design

Determining sample size is a very important issue because samples that are too large may waste time, resources and money, while samples that are too small may lead to inaccurate results because of underrepresentation of the population.

The main factor considered in determining the sample size is to keep it manageable enough and also to enable the researcher to derive from it detailed data at an affordable cost in terms of time, finances and human resource (Mugenda, 2003).

As mentioned above, the target population was made up of 420 members with 5 stratum.

To come up with a precise sample size, the researcher used Yamane (1967) simplified formula to calculate the size at 95% confidence level and $e=0.09$. The formula produces an effective method of determining sample size as shown below:-

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the sample size, N is the population size, and e is the level of precision. When this formula is applied to the above sample, we get Equation as:-

$$n = \frac{420}{1 + 420(0.09)^2} = 84$$

The Yamne proration formula for different stratum presented below is used to take sample from each stratum

$$n_h = (N_h / N) * n$$

Where n_h is the sample size for stratum h , N_h is the population size for stratum h , N is total population size and n is total sample size.

Table 3.1: sample and sampling size

	Population	Sample Size $n_h = (N_h / N) * n$
Chief executive officers (CEO)	5	1
Middle management	11	2
Branch managers	40	8
Experts at different levels and departments	339	68
Prominent customers	25	5
TOTAL	420	84

3.5 Source of Data Collection methods

This study used the primary data when are collected afresh and for the first time, and this happen to be original in character (Kothari, 2004). As data collection tools, closed and open-ended questionnaires was used. The questionnaires were designed based on the research questions. For quantitative data, the respondents were asked to indicate their level of agreement and disagreement using a five-point Likert scale (1 = strongly disagree 2= disagree, 3= neutral 4=agree and 5 = strongly agree) about the ethical business practices,

effect of iness ethics on performance and challenges facing to implement ethical business practices.

3.6 Data Analysis

In this study the quantitative data analysis was done using descriptive statistics and inferential statistics were applied using SPSS version 20. The findings of each variable have been presented using tables. The qualitative data collected were used to further explain and get in-depth insight about the findings of the quantitative data. Thus, the findings of the qualitative data have been summarized parallel with quantitative data.

The student researcher tried to use both qualitative and quantitative analysis methods. Close ended questions are analyzed in quantitative method of specifically; percentage, frequency and presented in tables. Whereas, open ended questionnaire are organized in qualitative form through descriptive statistical tool proportions and based on the analyzed data the result is interpreted. To analyze the effect of ethical practices on performance banks, ordinary logit model is used.

Ordinal Logistic Regression

In statistics, the **ordered logit model** (also **ordered logistic regression** or **proportional odds model**), is an ordinal regression model—that is, a regression model for ordinal dependent variables—first considered by Peter McCullagh.^[1] For example, if one question on a survey is to be answered by a choice among "strongly agree", "agree", "neutral", and "disagree", "strongly disagree" and the purpose of the analysis is to see how well that response can be predicted by the responses to other questions, some of which may be quantitative, then ordered logistic regression may be used. It can be thought of as an extension of the logistic regression model that applies to dichotomous dependent variables, allowing for more than two (ordered) response categories.

The model and the proportional odds assumption

The model only applies to data that meet the *proportional odds assumption*, the meaning of which can be exemplified as follows. Suppose the proportions of members of the statistical population who would answer "strongly agree", "agree", "neutral", "disagree", and "strongly disagree" are respectively p_1 , p_2 , p_3 , p_4 , p_5 . Then the logarithms of the odds (not the logarithms of the probabilities) of answering in certain ways are:

$$\text{For } P2 = \log \frac{p2}{p1}$$

$$P3 = \log \frac{p3}{p1+p2}$$

$$P4 = \log \frac{p4}{p1+p2+p3}$$

$$P5 = \log \frac{p5}{p1+p2+p3+p4}$$

The **proportional odds assumption** is that the number added to each of these logarithms to get the next is the same in every case. In other words, these logarithms form an arithmetic sequence.^[2] The model states that the number in the last column of the table—the number of times that that logarithm must be added—is some linear combination of the other observed variables.

The coefficients in the linear combination cannot be consistently estimated using ordinary least squares. They are usually estimated using maximum likelihood. The maximum-likelihood estimates are computed by using iteratively reweighted least squares.

Examples of multiple ordered response categories include bond ratings, opinion surveys with responses ranging from "strongly agree" to "strongly disagree," levels of state spending on government programs (high, medium, or low), the level of insurance coverage chosen (none, partial, or full), and employment status (not employed, employed part-time, or fully employed).^[3]

Suppose the underlying process to be characterized is where is the exact but unobserved dependent variable (perhaps the exact level of agreement with the statement proposed by the pollster); is the vector of independent variables, is the error term, and is the vector of regression coefficients which we wish to estimate. Further suppose that while we cannot observe , we instead can only observe the categories of response where the parameters are the externally imposed endpoints of the observable categories. Then the ordered logit technique was used.

Therefore, when the events are equally likely to occur we say the ratio of their odds is equal to 1 (or equally likely). The odds ratio (e^β) can be expressed as follows:

$$\frac{P(\pi)}{P(1-\pi)} = e^{\beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_q X_q}$$

This ought to look somewhat similar to the log odds equation. The odds ratio for a particular predictor variable is defined as e^β , where β is the logit coefficient estimate for the predictor and e is the natural log. If β is zero, the odds ratio will equal 1 (i.e., since any number to the 0 power is 1), which leaves the odds unchanged. If β is positive, the odds ratio will be greater than 1, which means the odds are increased. If β is negative, the coefficient will be less than 1, which means the odds are decreased.

Reliability and Validity of the Research Instrument

Reliability of the research was enhanced through pre-testing of the questionnaire by carrying out a pilot study on the customers to identify whether any adjustments' needed to be made. To establish content validity of the research instrument which was the questionnaire, the researcher conducted the Cronbach's alpha.

3.7. Cronbach's Alpha results

Table 3-1 Cronbach's Alpha results

Variables	Cronbach's Alpha
Practice of Business Ethics	0.89
Reliability	0.92
Social Responsibility	0.91
Honesty and Integrity	0.89
Compliance	0.88
Transparency)	0.88
Performance Measures	0.97

As can be seen from the table all the values of the Cronbach's alpha are greater than zero and less than one. In other word this is to indicate all the questions in these different categories' were more reliable and stable. This is a good sign to say the questionnaire is more informative and can bring independent information.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRTAION

4.1 Introduction

This chapter is all about presentation, analysis and interpretation of the study findings that obtained from the primary data which were collected using questionnaire. To do this data gathered were coded; analyzed using Statistical Package for Social Sciences (SPSS version 20) and descriptive statistical methods were employed. Data analysis was done in line with the objectives of the study which were: To determine the employees ethical practices analyze the effects of business ethics on the performance, evaluate the challenges of implementing business ethics in the operations and finally to find out the best ways to adequately entrench business ethics principles in bank.

4.3 Respondents Profile

Table 4-1 Respondents' profile

		Frequency	Percent
Gender	Male	47	56.0
	Female	37	44.0
	Total	84	100.0
Marital	Single	47	56.0
	Married	37	44.0
	Total	84	100.0
Age	below 25	24	28.6
	25-35	42	50.0
	35 -45	14	16.7
	above 45	4	4.8
	Total	84	100.0
Education	College Diploma	3	3.6
	First Degree	56	66.7
	Masters Degree	7	8.3
	Other	18	21.4
	Total	84	100.0
Years of Service in LIB	less than one year	14	16.7
	1 up to 3 years	4	4.8
	3up to 6years	30	35.7
	7 years	30	35.7

	Other	6	7.1
	Total	84	100.0
Your salary ranges?	Less than 4,800.00	16	19.0
	4,800.00-10,000	3	3.6
	10,000 -20,000	37	44.0
	20,000 – 40,000	21	25.0
	above 40,000	1	1.2
	Other	6	7.1
	Total	84	100.0

The table above shows the respondents profile. As can be seen form the table, 56% of the respondents are males and 56% of the respondents are single. In addition, the age category of the respondents is also assessed and most of the respondents are within the age interval between 25 and 35, and this stands in50%. Majority of the respondents, 66.7% are with first degree. 35.7% of the respondents worked for three to six years and for seven years and more. In addition, 44% of the respondent’s salary is 10,000 to 20,000.

4.4. Practices of business ethics

Table 4-2 practices of business ethics

S.No	Item	No	Uncertain	Yes
1	Does your bank have a written code of ethics?		22(26.2)	62(73.8)
2	If the answer to question No1 is Yes, is it readily available like for example on internal written document?	24(28.6)	40(47.6)	20(23.8)
3	Does your bank have a set of value?	6(7.1)	17(20.2)	61(72.6)
4	Does your bank have procedures for reporting unethical behavior?	15(17.9)	64(76.2)	5(6)
5	My organization acts responsibly in all its business dealings(with customers, clients, suppliers, etc)	19(22.6)	42(50)	23(27.4)
6	Ethical issues of ‘right and wrong ’ are discussed in staff meeting	57(67.9)	27(32.1)	

7	Does your organization have mechanism for awareness creation	21(25)	48(57.1)	15(17.9)
8	Do the managers and executives of your organization demonstrate high ethical standards?	36(42.9)	39(46.4)	9(10.7)
9	Does your organization communicate its expectations to employees in relation to ethical decision making and behavior?	40(47.6)	39(46.4)	5(6)
10	Does your organization have a strict measure to penalize those who demonstrate unethical behavior?	50(59.5)	32(38.1)	2(2.4)
11	Is there in your bank a recognition or reward for staffs that show exemplary ethical behavior?	52(61.9)	31(36.9)	1(1.2)
12	Is there a means to obtain the opinions of customers about the behavior of the bank's staffs?	27(32.1)	53(63.1)	3(3.6)

The table above shows the results of the respondents on the business Ethics. As can be seen from the table the respondents were asked if their bank have a written code of ethics and 73.2% of the respondents are said yes and 26.2% are uncertain.

In addition to the above questions the respondents who said yes in the above question were asked if it is readily available like for example on internal written document and 23.8% of the respondents said yes, 47.6 % are uncertain and 28.6% said no.

Moreover, the respondents were asked if their bank have a set of value and most of the respondents said yes. Specifically, 72.6% of the respondents said yes, 20.2% said uncertain and 7.1% of the respondents said no.

In addition, the respondents were asked if their bank have procedures for reporting unethical behavior and most of the respondents are uncertain. Specifically, 6% of the respondents said yes, 76.2% said uncertain and 17.9 % of the respondents said no.

Furthermore, the respondents were asked if their organization acts responsibly in all its business dealings (with customers, clients, suppliers, etc and most of the respondents are uncertain. Specifically, 27.4% of the respondents said yes, 50% said uncertain and 22.6 % of the respondents said no.

Similarly, the respondents were asked if ethical issues of ‘right and wrong’ are discussed in staff meeting and most of the respondents said no. Specifically, 32.1% are uncertain and 67.9 % of the respondents said no.

Furthermore, the respondents were asked if their organization have mechanism for awareness creation and most of the respondents are uncertain. Specifically, 17.9% of the respondents said yes, 57.1% are uncertain and 25.0 % of the respondents said no.

Similarly, the respondents were asked if the managers and executives of your organization demonstrate high ethical standards and most of the respondents are uncertain. Specifically, 46.4% are uncertain, 10.7% said yes and 42.9 % of the respondents said no.

In addition, the respondents were asked if organization communicate its expectations to employees in relation to ethical decision making and behavior and most of the respondents said no. Specifically, 46.4% are uncertain, 6% said yes and 47.6 % of the respondents said no.

In addition, the respondents were asked if the organization have a strict measure to penalize those who demonstrate unethical behavior and most of the respondents said no. Specifically, 38.1% are uncertain, 2.4% said yes and 59.5 % of the respondents said no.

Furthermore, the respondents were asked if there a recognition or reward for staffs that show exemplary ethical behavior and most of the respondents said no. Specifically, 36.9% are uncertain, 1.2% said yes and 61.9 % of the respondents said no.

Finally, the respondents were asked if there is a means to obtain the opinions of customers about the behavior of the bank’s staffs and most of the respondents are uncertain. Specifically, 63.9% are uncertain, 3.6% said yes and 32.1 % of the respondents said no.

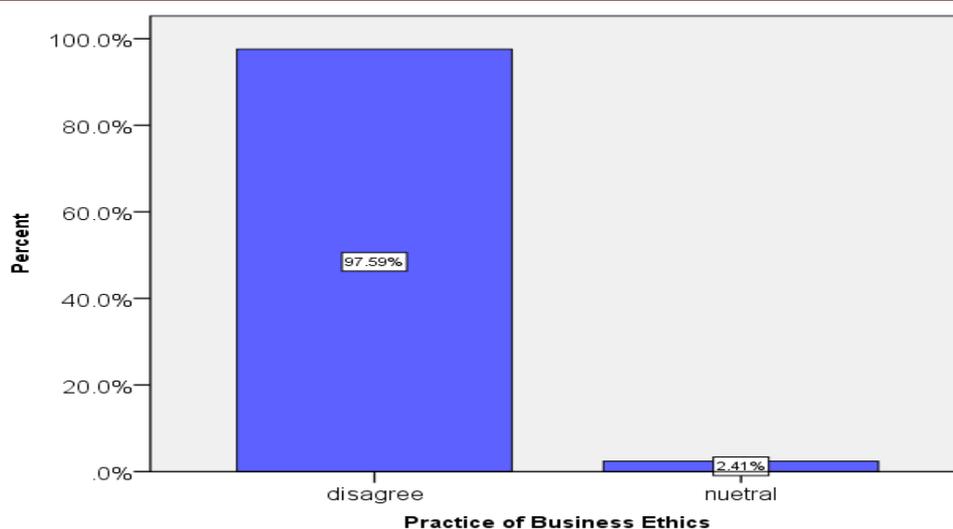


Figure4-1 Practice of Business Ethics

1.5. Dimensions of the practice of business ethics

The graph above shows the results of the respondents perception on practices of business ethics and as can be seen from the graph most of the business ethics codes are not practiced.

4.5.1 Reliability

Table 4-3 Reliability

S.No	Item (Reliability)	1	2	3	4	5
1	Unless it is ordered by court the bank does disclose accounts information of customers to anyone other than the account holder		29(34.5)	55(65.5)		
2	The bank does not try to know the secret of the customer's business.			20(23.8)	55(65.5)	9(10.7)
3	Any business dealings of customers with the bank are not kept with utmost confidentiality	7(8.3)	23(27.4)	31(36.9)	19(22.6)	4(4.8)

The table above shows the results of the questions under practices of ethics.

As can be seen from the table in the first question the respondents were asked if Unless it is ordered by court the bank does disclose accounts information of customers to anyone other than the account holder and most of the respondents neither agreed nor disagreed with the idea. Specifically, 65.5% of respondents neither agreed nor disagreed with the idea and 34.5% of the respondents disagreed with the idea.

In addition, the respondents were asked if the bank does not try to know the secret of the customer's business and most of the respondents agreed with the idea. Specifically, 65.5% of

respondents agreed with the idea and 9% of the respondents strongly agreed with the idea. in addition, 23.8% of the respondents neither agreed nor disagreed with the idea.

Similarly, the respondents were asked if any business dealings of customers with the bank are not kept with utmost confidentiality and most of the respondents neither agreed nor disagreed with the idea. Specifically, 22.6% of respondents agreed with the idea and 4.8% of the respondents strongly agreed with the idea. However, 36.9% of the respondents neither agreed nor disagreed with the idea. In contrast, 27.4% of respondents disagreed and 8.3% of respondents strongly disagreed with the idea that any business dealings of customers with the bank are not kept with utmost confidentiality.

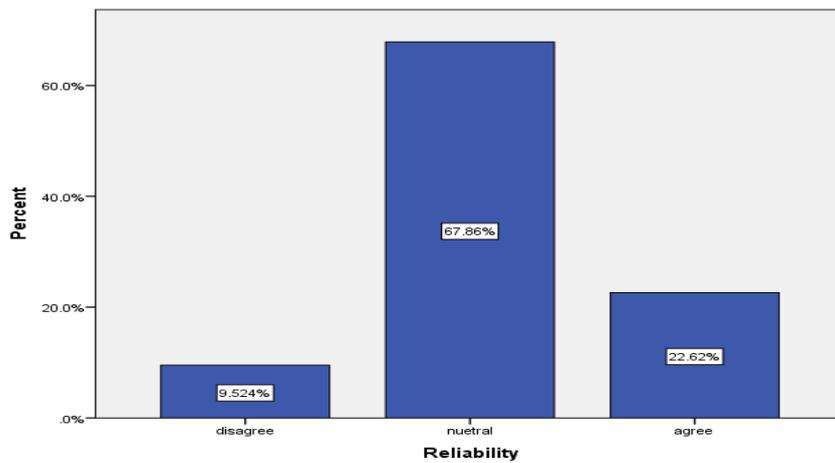


Figure 4-2 Reliability

The graph shows the reliability of the banks and as can be seen most of the respondents did neither agreed nor disagreed.

4.5.2 Social responsibility

Table 4-4 Social responsibility

	Item (Social Responsibility)	1	2	3	4	5
4	The bank takes part in social welfare activities	2(2.4)	20(23.8)	18(21.4)	37(44)	7(8.3)
5	The bank finances in projects that have social attachment	5(6)	13(15.5)	30(35.7)	23(27.4)	13(15.5)
6	The bank includes in its annual budget an amount that is intended to be used for social	2(2.4)	28(33.3)	14(16.7)	28(33.3)	12(14.3)



needs.					
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In addition, the respondents were asked if the bank takes part in social welfare activities and most of the respondents agreed with the idea. Specifically, 44% of respondents agreed with the idea and 8.3% of the respondents strongly agreed with the idea. However, 21.4% of the respondents neither agreed nor disagreed with the idea. In contrast, 23.8% of respondents disagreed and 2.4% of respondents strongly disagreed with the idea that if the bank takes part in social welfare activities.

Similarly, the respondents were asked if the bank finances in projects that have social attachment and most of the respondents agreed with the idea. Specifically, 27.4% of respondents agreed with the idea and 15.5% of the respondents strongly agreed with the idea. However, 35.7% of the respondents neither agreed nor disagreed with the idea. In contrast, 15.5% of respondents disagreed and 6% of respondents strongly disagreed with the idea that if the bank finances in projects that have social attachment.

In addition, the respondents were asked the bank includes in its annual budget an amount that is intended to be used for social needs and most of the respondents agreed with the idea. Specifically, 33.3% of respondents agreed with the idea and 14.3% of the respondents strongly agreed with the idea. However, 16.7% of the respondents neither agreed nor disagreed with the idea. In contrast, 33.3% of respondents disagreed and 2.4% of respondents strongly disagreed with the idea that if the bank includes in its annual budget an amount that is intended to be used for social needs.



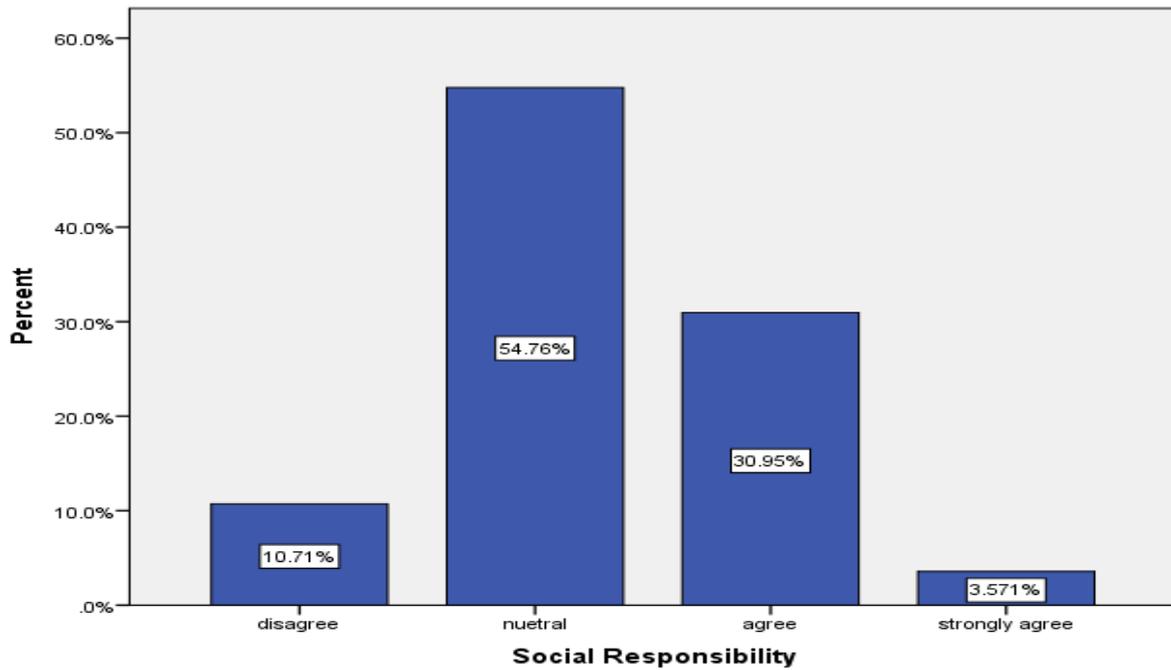


Figure 4-3 Social responsibility of the bank

The graph above shows the social responsibility of the bank and as can be seen most of the respondents neither agreed nor disagreed with the idea.

4.5.3 Honesty and integrity

Table 4-5 Honesty and integrity

	Item (Honesty and Integrity)	1	2	3	4	5
7	The bank executives does conceal facts that may not compromise business secrets of the bank	9(10.7)	23(27.4)	32(38.1)	14(16.7)	6(7.1)
8	The bank executives do not take bribe	11(13.1)	33(39.3)	13(15.5)	18(21.4)	9(10.7)
9	The bank executive does misreport and misrepresent issues that related with the activities of the bank.	7(8.3)	43(51.2)	18(21.4)	10(11.9)	6(7.1)
10	The bank does violate NBE directives	8(9.5)	43(51.3)	18(21.4)	10(11.9)	6(7.1)
11	The bank does not encourage customers to conduct illegal transaction	4(4.8)	14(16.7)	15(17.9)	39(46.4)	12(14.3)
12	The bank executives do not maintain	1(1.2)	10(11.9)	13(15.5)	41(48.8)	19(22.6)

	illicit relationship with customers					
13	Recruitment, selection and promotion of staffs is free from any nepotism.	5(6)	23(27.4)	29(34.5)	23(27.4)	3(3.6)
14	Most of the frauds perpetrated in the bank are due to insiders and collaborators	6(7.1)	9(10.7)	14(16.7)	41(48.8)	14(16.7)

In addition, the respondents were asked the bank executive's dose conceal facts that may not compromise business secrets of the bank and most of the respondents neither agreed nor disagreed with the idea. Specifically, 16.7% of respondents agreed with the idea and 7.1% of the respondents strongly agreed with the idea. However, 16.7% of the respondents neither agreed nor disagreed with the idea. In contrast, 38.1% of respondents disagreed and 27.4% of respondents strongly disagreed with the idea that if the bank executives do not conceal facts that may not compromise business secrets of the bank.

In addition, the respondents were asked the bank executives do not take bribe and most of the respondents disagreed with the idea. Specifically, 21.4% of respondents agreed with the idea and 10.7% of the respondents strongly agreed with the idea. However, 15.5% of the respondents neither agreed nor disagreed with the idea. In contrast, 39.3% of respondents disagreed and 13.1% of respondents strongly disagreed with the idea that if the bank executives do not conceal facts that may not compromise business secrets of the bank.

In addition, the respondents were asked the bank executives does misreport and misrepresent issues that related with the activities of the bank and most of the respondents disagreed with the idea. Specifically, 11.9% of respondents agreed with the idea and 7.1% of the respondents strongly agreed with the idea. However, 21.4% of the respondents neither agreed nor disagreed with the idea. In contrast, 51.2% of respondents disagreed and 8.3% of respondents strongly disagreed with the idea that the bank executives do not misreport and misrepresent issues that related with the activities of the bank

In addition, the respondents were asked if the bank does violate NBE directives and most of the respondents neither agreed nor disagreed the idea. Specifically, 14.3% of respondents agreed with the idea and 3.6% of the respondents strongly agreed with the idea. However,

48.8% of the respondents neither agreed nor disagreed with the idea. In contrast, 23.8% of respondents disagreed and 9.5% of respondents strongly disagreed with the idea that The bank does violate NBE directives.

Similarly, the respondents were asked if the bank does not encourage customers to conduct illegal transaction and most of the respondents agreed with the idea. Specifically, 46.4% of respondents agreed with the idea and 14.3% of the respondents strongly agreed with the idea. However, 17.9% of the respondents neither agreed nor disagreed with the idea. In contrast, 16.7% of respondents disagreed and 4.8% of respondents strongly disagreed with the idea that the bank does not encourage customers to conduct illegal transaction.

Furthermore, the respondents were asked if the bank executives do not maintain illicit relationship with customers and most of the respondents agreed with the idea. Specifically, 48.8% of respondents agreed with the idea and 22.6% of the respondents strongly agreed with the idea. However, 15.5% of the respondents neither agreed nor disagreed with the idea. In contrast, 27.4% of respondents disagreed and 6% of respondents strongly disagreed with the idea that the bank executives do not maintain illicit relationship with customers.

Moreover, the respondents were asked if recruitment, selection and promotion of staffs is free from any nepotism and most of the respondents agreed with the idea. Specifically, 48.8% of respondents agreed with the idea and 22.6% of the respondents strongly agreed with the idea. However, 15.5% of the respondents neither agreed nor disagreed with the idea. In contrast, 27.4% of respondents disagreed and 6% of respondents strongly disagreed with the idea that recruitment, selection and promotion of staffs is free from any nepotism.

Finally, the respondents were asked if most of the frauds perpetrated in the bank are due to insiders and collaborators and most of the respondents agreed with the idea. Specifically, 48.8% of respondents agreed with the idea and 16.7% of the respondents strongly agreed with the idea. However, 16.7% of the respondents neither agreed nor disagreed with the idea. In contrast, 10.7% of respondents disagreed and 7.1% of respondents strongly disagreed with the idea that most of the frauds perpetrated in the bank are due to insiders and collaborators.

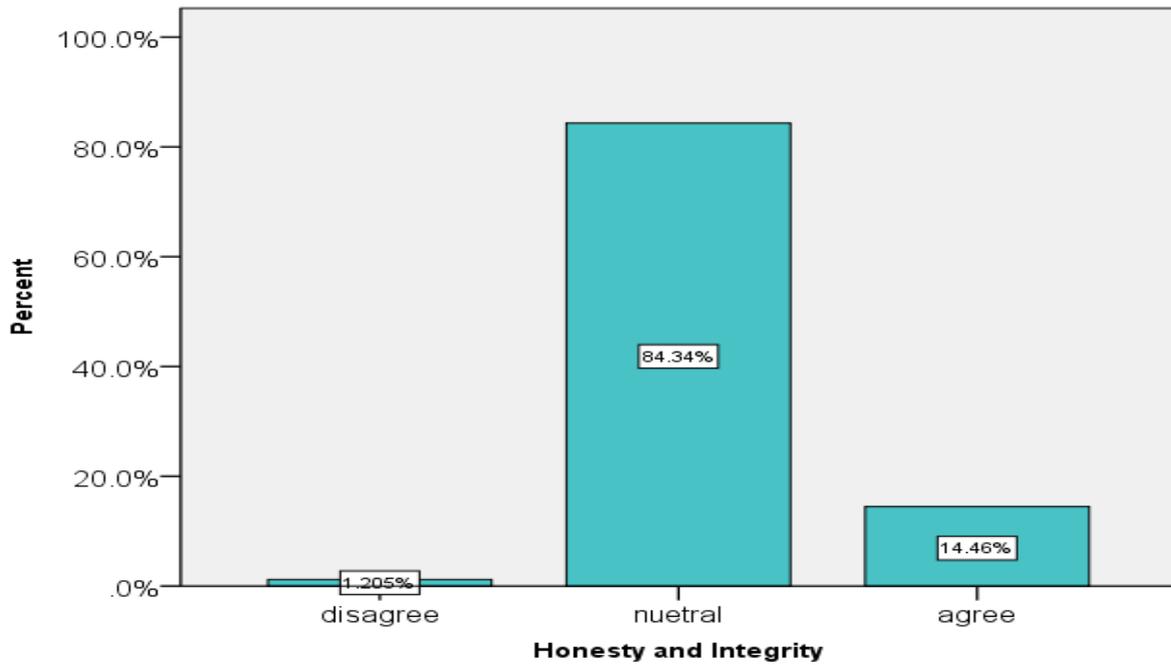


Figure 4-4 Honesty and integrity

The graph above shows the honesty and integrity agreement levels and as can be seen most of the respondents neither agreed nor disagreed with the idea.

4.5.4 Compliance

Table 4-6 compliance

	Item(Compliance)	1	2	3	4	5
15	The bank maintains conformity of service standard and rules as promised	3(3.6)	9(10.7)	6(7.1)	33(39.3)	32(38.1)
16	The bank maintains conformity when charging customers for services rendered as they promise????	2(2.4)	18(21.4)	39(46.4)	19(22.6)	6(7.1)
17	The bank maintains conformity as it promotes its products and services	2(2.4)	17(20.2)	12(14.3)	41(48.8)	12(14.3)
18	The bank always adheres to its own policies and procedure.	10(11.9)	8(9.5)	8(9.5)	44(52.4)	14(16.7)
19	The bank always complies with the directive issued by NBE or any relevant government organ.	3(3.6)	44(52.4)	16(19)	14(16.7)	7(8.3)

First, the respondents were asked if the bank maintains conformity of service standard and rules as promised and most of the respondents agreed with the idea. Specifically, 39.3% of respondents agreed with the idea and 38.1% of the respondents strongly agreed with the idea. However, 7.1% of the respondents neither agreed nor disagreed with the idea. In contrast, 10.7% of respondents disagreed and 3.6% of respondents strongly disagreed with the idea that the bank maintains conformity of service standard and rules as promised.

First, the respondents were asked if the bank maintains conformity of service standard and rules as promised and most of the respondents agreed with the idea. Specifically, 39.3% of respondents agreed with the idea and 38.1% of the respondents strongly agreed with the idea. However, 7.1% of the respondents neither agreed nor disagreed with the idea. In contrast, 10.7% of respondents disagreed and 3.6% of respondents strongly disagreed with the idea that the bank maintains conformity of service standard and rules as promised.

Second, the respondents were asked if the bank maintains conformity when charging customers for services rendered as they promise and most of the respondents neither agreed nor disagreed with the idea. Specifically, 39.3% of respondents agreed with the idea and 38.1% of the respondents strongly agreed with the idea. However, 7.1% of the respondents neither agreed nor disagreed with the idea. In contrast, 10.7% of respondents disagreed and 3.6% of respondents strongly disagreed with the idea that the bank maintains conformity when charging customers for services rendered as they promise.

Third, the respondents were asked if the bank maintains conformity as it promotes its products and services and most of the respondents agreed with the idea. Specifically, 48.8% of respondents agreed with the idea and 14.3% of the respondents strongly agreed with the idea. However, 14.3% of the respondents neither agreed nor disagreed with the idea. In contrast, 20.2% of respondents disagreed and 2.4% of respondents strongly disagreed with the idea that the bank maintains conformity as it promotes its products and services.

Fourth, the respondents were asked if the bank always adheres to its own policies and procedure and most of the respondents agreed with the idea. Specifically, 52.4% of respondents agreed with the idea and 14.3% of the respondents strongly agreed with the idea. However, 9.5% of the respondents neither agreed nor disagreed with the idea. In contrast, 9.5% of respondents disagreed and 11.9% of respondents strongly disagreed with the idea that the bank always adheres to its own policies and procedure.

Finally, the respondents were asked if the bank always complies with the directive issued by NBE or any relevant government organ and most of the respondents disagreed with the idea. Specifically, 16.7% of respondents agreed with the idea and 52.4% of the respondents strongly agreed with the idea. However, 19% of the respondents neither agreed nor disagreed with the idea. In contrast, 2.4% of respondents disagreed and 3.6% of respondents strongly disagreed with the idea that the bank always complies with the directive issued by NBE or any relevant government organ.

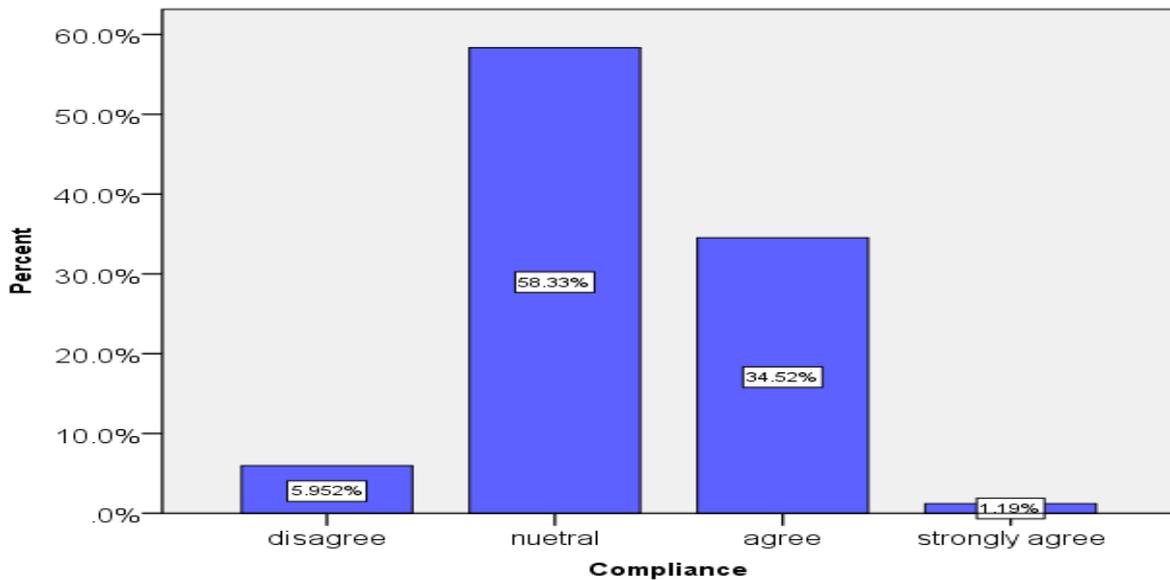


Figure 4-5 Compliance

The graph above shows the average results of compliance and as can be seen most of the respondents neither agreed nor disagreed with the idea.

4.5.5. Transparency

Table 4-7 Transparency

	Item(Transparency)	1	2	3	4	5
20	The bank executives does approve false financial statement	19(22.6)	35(41.7)	11(13.1)	10(11.9)	9(10.7)
21	The banks do not over estimate profit		8(9.5)	5(6)	30(35.7)	41(48.8)
22	The benefits that top managements of the bank obtain can be known by any staffs of the bank.	1(1.2)		1(1.2)	17(20.2)	65(77.4)
23	Approval of loans and foreign currency are		9(10.7)	46(54.8)	17(20.2)	12(14.3)

	made with a transparent manner.					
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In the above table the results of the questions for respondents were asked about transparency and as can be seen from the table in the first question, the respondents were asked if the bank executive does approve false financial statement and most of the respondents disagreed with the idea. Specifically, 11.9% of respondents agreed with the idea and 10.7% of the respondents strongly agreed with the idea. However, 13.1% of the respondents neither agreed nor disagreed with the idea. In contrast, 41.7% of respondents disagreed and 22.6% of respondents strongly disagreed with the idea that the bank executives do not approve false financial statement.

In addition the respondents were asked if the banks do not over estimate profit and most of the respondents agreed with the idea. Specifically, 35.7% of respondents agreed with the idea and 48.8% of the respondents strongly agreed with the idea. However, 6% of the respondents neither agreed nor disagreed with the idea. In contrast, 9.5% of respondents disagreed with the idea that the banks do not over estimate profit.

Moreover, the respondents were asked if the benefits that top managements of the bank obtain can be known by any staffs of the bank and most of the respondents agreed with the idea. Specifically, 20.2% of respondents agreed with the idea and 77.4% of the respondents strongly agreed with the idea. However, 1.2% of the respondents neither agreed nor disagreed with the idea. In contrast, 1.1% of respondents strongly disagreed with the idea that the benefits that top managements of the bank obtain can be known by any staffs of the bank.

In addition, the respondents were asked if approval of loans and foreign currency are made with a transparent manner and most of the respondents neither agreed nor disagreed with the idea. Specifically, 20.2% of respondents agreed with the idea and 14.3% of the respondents strongly agreed with the idea. However, 54.8% of the respondents neither agreed nor disagreed with the idea. In contrast, 10.7% of respondents disagreed with the idea that approval of loans and foreign currency are made with a transparent manner.

The graph below shows the transparency of the respondents agreement and as can be seen most of the respondents agreed with the presence of transparency in the bank.

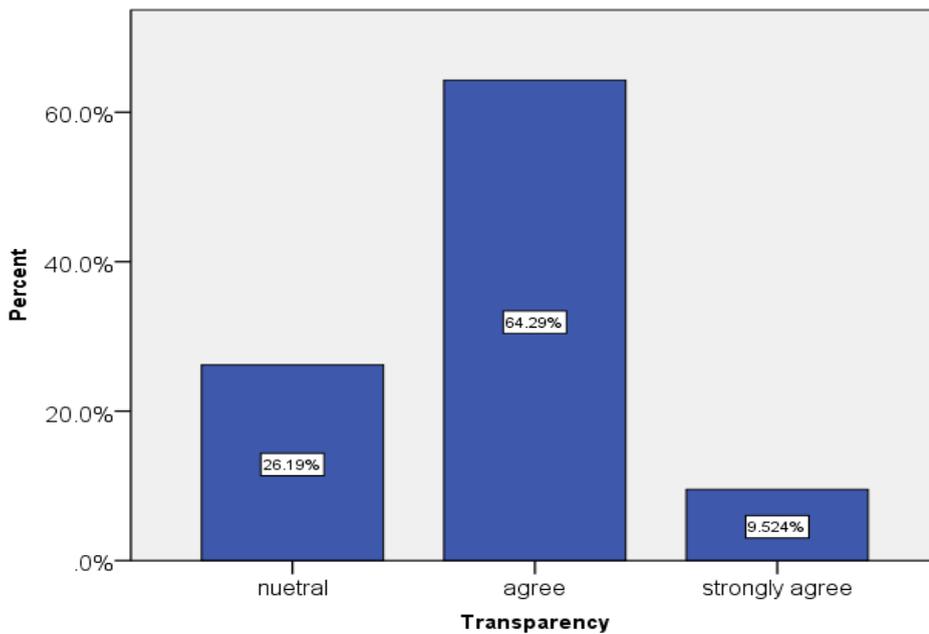


Figure 4-6 Transparency

4.5.5. Performance Measures

Table 4-8 performance measures

S.No	Item	Much Worse (1)	Worse (2)	Same (3)	Better (4)	Much Better(5)
1	My bank's performance in achieving its goals is....	11(13.1)	57(67.9)	12(14.3)	2(2.4)	2(2.4)
2	My bank's growth (e.g. Profit, deposit, No of customers, etc)	2(2.4)	4(4.8)	7(8.3)	50(59.5)	21(25)
3	My bank's success in attracting customers/clients is.....	1(1.2)	7(8.3)	14(16.7)	51(60.7)	11(13.1)
4	My bank's return on asset is....	2(2.4)	9(10.7)	16(19)	42(50)	15(17.9)

In the above table the results of the questions for respondents were asked about performance and as can be seen from the table in the first question, the respondents were asked if their bank's performance in achieving its goals is and most of the respondents disagreed with the idea. Specifically, 2.4% of respondents said it is better and 2.4% of the respondents said it is much better. However, 14.3% of the respondents said it is similar. In contrast, 67.9% of

respondents said it is worse and 13.1% of respondents said it is much worse idea that my bank's performance in achieving its goals is.

In addition, the respondents were asked their bank's growth (e.g. Profit, deposit, No of customers, etc) and most of the respondents said it is better. Specifically, 59.5% of respondents said better and 25% of the respondents said it is much better. However, 8.3% said it is the same and 4.8 % of respondents said it worse and 2.4% said it much worse that their bank's growth (e.g. Profit, deposit, No of customers, etc).

Similarly, , the respondents were asked their bank's success in attracting customers/clients is) and most of the respondents said it is better. Specifically, 60.7% of respondents said better and 13.1% of the respondents said it is much better. However, 16.7% said it is the same and 8.3 % of respondents said it worse and 1.2% said it much worse that their bank's success in attracting customers/clients is good.

Finally, the respondents were asked their bank's return on asset is and most of the respondents said it is better. Specifically, 50% of respondents said better and 17.9% of the respondents said it is much better. However, 19% said it is the same and 107 % of respondents said it worse and 2.4% said it much worse that their bank's return on asset is good.

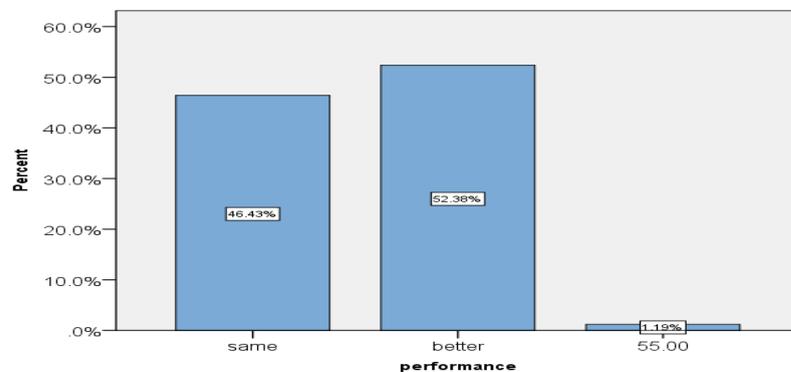


Figure 4-7 performance of the bank

The graph above shows the performance of the bank and as can be seen from the graph most of the respondents said the performance is getting better.

Effects of business ethics on the success

Model Fitting Information				
Model	-2 Log Likelihood	Chi-Square	df	Sig.
Intercept Only	147.891			
Final	102.152	52.739	9	.000

The Table above shows the results of the hypothesis checking against whether the model is statistically significant or not. As can be seen the p-value is less than the 5% significance level. This is an indication the model fitted to the data is statistically significant. At least in the model there is one independent variable which affects the dependent variable significantly.

Goodness-of-Fit			
	Chi-Square	Df	Sig.
Pearson	46.305	41	.263
Deviance	43.739	41	.356
Link function: Logit.			

As can be seen from the model goodness fit of tests. They all assume that, in the null hypothesis the model is good. However, in the contrary in the alternative hypothesis it is not. Therefore, by looking the model results it can be said the model is statistically significant.

Pseudo R-Square	
Cox and Snell	.868
Nagelkerke	.84
McFadden	.80
Link function: Logit.	

As can be seen from the results of the R-square as they are indicative of the model goodness it can be said the model is good. To illustrate, all the values are above 80% and this is an indication the model is more informative.

Table 4-9 Results of ordinal logistic regression.

Parameter Estimates								
		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[success3.00]	-5.138	.515	99.643	1	.000	-6.147	-4.130
	[success = 4.00]	-0.782	1.240	10.600	1	.001	-1.253	-.311
Location	Reliability =3.00]	-1.942	1.132	20.692	1	.005	-3.160	-1.277
	[Reliability =4.00]	-2.039	1.220	18.032	1	.009	-.393	-.021
	[Reliability =5.00]	0 ^a	.	.	0	.	.	.
	[Social Responsibility =3.00]	-1.241	1.456	21.625	1	.019	-4.004	-1.002
	[Social Responsibility =4.00]	-1.250	1.221	21.284	1	.007	-.683	-.002
	[Social Responsibility =5.00]	0 ^a	.	.	0	.	.	.
	[Honesty and Integrity =3.00]	-2.566	2.152	31.242	1	.003	-3.691	-0.423
	[Honesty and Integrity =4.00]	-1.131	4.224	14.312	1	.007	-3.590	-.028
	[Honesty and Integrity =5.00]	0 ^a	.	.	0	.	.	.
	[Compliance =3.00]	-2.026	4.125	12.878	1	.000	-6.241	-1.832
	[compliance t=4.00]	-1.291	2.220	26.747	1	.000	-3.781	-.802
	[Compliance =5.00]	0 ^a	.	.	0	.	.	.
	[Transparency) =3.00]	-3.13	1.125	11.478	1	.000	-6.241	-1.832
	[Transparency)=4.00]	-1.291	1.250	25.847	1	.000	-3.781	-.802
[Transparency) =5.00]	0 ^a	.	.	0	.	.	.	

The table above shows the results of ordinal logistic regression and as can be seen from the table the variables included are statistically significant variables for the bank's success. In the first column the table shows the list of independent variables, in the next column it shows the values of the estimate, this is the log of odds, then, the standard error of the estimate, the Wald statistics, the degree of freedom, the p-value and the confidence interval are displayed. Specifically, the trust, the commitment, empathy and conflict handling are the variables which determine the customer loyalty. The numbers of categories in the independent variables are reduced, this is due to the fact that the average of the questions within these items is taken and some categories lost and merged.

As can be seen from the p-value the reliability has a statistically significant effect on the bank's success since its p-value is less than 5%. When the reliability decreases from strongly agree to neutral the bank's performance decreases by 1.942 times. In addition as reliability decreases from strongly agree to agree the bank's performance decreases by 2.039 times.

In addition, social Responsibility has a statistically significant effect on the bank's success since its p-value is less than 5%. When the reliability decreases from strongly agree to neutral the bank's performance decreases by 1.24 times. In addition as Social Responsibility decreases from strongly agree to agree the bank's performance decreases by 1.25 times.

In addition, Honesty and Integrity has a statistically significant effect on the bank's success since its p-value is less than 5%. When the Honesty and Integrity decreases from strongly agree to neutral the bank's performance decreases by 2.56 times. In addition as Honesty and Integrity decreases from strongly agree to agree the bank's performance decreases by 1.13 times.

Similarly, Compliance has a statistically significant effect on the bank's success since its p-value is less than 5%. When the compliance decreases from strongly agree to neutral the bank's performance decreases by 2.03 times. In addition Compliance decreases from strongly agree to agree the bank's performance decreases by 1.3 times.

Finally, transparency and Integrity has a statistically significant effect on the bank's success since its p-value is less than 5%. When the transparency decreases from strongly agree to neutral the bank's performance decreases by 3.13 times. In addition as Transparency decreases from strongly agree to agree the bank's performance decreases by 1.3 times.

4.7 Challenges of implementing business ethics in the operations of the bank

From the workers point of view, these are some of the challenges they face in implementing ethics in their operations:

A substantial number of the staff of the banks did indicate that using working hours for personal activities and the banks equipment like telephone for personal use is a major challenge they face in the conduct of their duties. This is a challenge according to them because it's not ethical to do but they end up doing it. Using the working hours for personal things are not only ethical but against the rules governing the workers. The workers did indicate that sometimes they have no option but to leave since the matters they have to attend to crucial.

Another ethical challenge the workers of the bank indicated concerned strict compliance to the ethical standards set by the bank and other rules and regulations governing the of the bank. Following these standards and regulations to the letter is a major challenge by most of the workers in the bank.

Another ethical challenge mentioned by the workers of the bank was matters relating to transparency, integrity, openness and honesty. These are issues that determine the Performance level and dedication of the workers. According to the workers who gave these assertion, always remaining transparent, open, honest and having that integrity is a major challenge. The tendency to ignore these to your favor and the favor of other people is very high. Being open and transparent according to them can make things difficult for them at certain times. Also another ethical challenge relating to openness and honesty is declaring of thank you gifts. Workers find it difficult to declare and most times do not declare it.

Another ethical challenge faced by most of the respondents has to do with not giving preferential treatment to people they know. The workers of the bank mostly give preferential treatment to their friends, family and people who normally dash out something after being served. This is unethical but has become the norm in the various banks. Changing from this habit poses a great challenge to most of the workers since it's difficult to ignore someone you know who seeks your help in an unofficial way.

Another ethical challenge faced by some of the workers of the bank relates to giving financial advice to either favor the bank or the customer's or clients of the bank. Sometimes the

workers give advice that favors the customers at the expense of the bank. Another ethical challenge is processing transactions when documents are incomplete or expired. This is basically because of favoritism.

4.8 Ways by which business ethics principles can be adequately well-established in LIB

The workers in the LIB bank gave some ideas and suggestions about ways by which business ethics principles can be adequately entrenched in the LIB bank. Amongst the suggestions of the workers were:

The majority of the workers believe that the management of the bank should update the ethical standards of the bank to conform to current banking standards.

Some workers also believe that the values and ethical standards of the bank must be enforced to the letter. A worker who goes against these standards must be punished so it serves as a deterrent to others in the bank.

Portions of workers of the bank also believe that there must be a well-structured orientation and reorientation for all staff of the bank in order to instill strongly in them the ethical beliefs of the bank. Also motivating incentive packages must be awarded to workers who are seen as operating ethically so that it can inspire others to do same.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The purpose of this study was to examine business ethics practices at the LIB. It has specifically aimed at assessing employees ethical practices, analyzing effect of business ethics on performance of bank and ascertaining the challenges facing in implementing business ethics. Based on this objective, data was collected and analyzed and this chapter accordingly presents summary of the major findings, conclusion and recommendation

5.1 Summary of finding

5.1.1 Business ethics strategy practiced

It was found from the research that, the banks mentioned in the research have written code of ethics and a set of values that guides the banks operation in order to deliver adequate services and come out with the right work output. This means ethical standards are part of the operations of banks within the country.

It was also observed on the research that, respondents agree mostly to the items constituting the practice of business ethics in the banks. This gives an indication that the banks activities are guided by ethical principles though not in all aspects of the banks activities. The work showed that there is no ethical issues of 'right and wrong' are discussed in the staff meeting. The work again ascertained that a substantial number of respondents give an indication that there is no recognition or reward for staffs that show exemplary ethical behavior & strict measure to penalize those who demonstrate unethical behavior .

5.1.2 Level at which business ethics affects the success of the Lion international banks

The ordinal logistic regression performed indicated that there is exist a significant positive relationship between business ethics practices at LIB and ability to achieve its goals. As can be seen from the results of the R-square as they are indicative of the model goodness it can be said the model is good. All the values are above 80% and this is an indication the model is more informative.

As can be seen from the p-value the reliability has a statistically significant effect on the bank's success since its p-value is less than 5%. When the reliability decreases from strongly

agree to neutral the bank's performance decreases by 1.942 times. In addition as reliability decreases from strongly agree to agree the bank's performance decreases by 2.039 times.

In addition, social Responsibility has a statistically significant effect on the bank's success since its p-value is less than 5%. When the reliability decreases from strongly agree to neutral the bank's performance decreases by 1.24 times. In addition as Social Responsibility decreases from strongly agree to agree the bank's performance decreases by 1.25 times.

In addition, Honesty and Integrity has a statistically significant effect on the bank's success since its p-value is less than 5%. When the Honesty and Integrity decreases from strongly agree to neutral the bank's performance decreases by 2.56 times. In addition as Honesty and Integrity decreases from strongly agree to agree the bank's performance decreases by 1.13 times.

Similarly, Compliance has a statistically significant effect on the bank's success since its p-value is less than 5%. When the compliance decreases from strongly agree to neutral the bank's performance decreases by 2.03 times. In addition Compliance decreases from strongly agree to agree the bank's performance decreases by 1.3 times.

Finally, transparency and Integrity has a statistically significant effect on the bank's success since its p-value is less than 5%. When the transparency decreases from strongly agree to neutral the bank's performance decreases by 3.13 times. In addition as Transparency decreases from strongly agree to agree the bank's performance decreases by 1.3 times.

5.1.3 Challenges of implementing business ethics in the operations of the bank

It was found from the research that, a substantial number of the staff of the banks did indicate that using working hours for personal activities and the banks equipment like telephone for personal use is a major challenge they face in the conduct of their duties. This is a challenge according to them because it's not ethical to do but they end up doing it. Using the working hours for personal things are not only ethical but against the rules governing the workers. The workers did indicate that sometimes they have no option but to leave since the matters they have to attend to crucial.

Another ethical challenge the workers of the bank indicated concerned strict compliance to the ethical standards set by the bank and other rules and regulations governing the operations of the bank. Following these standards and regulations to the letter is a major challenge by most of the workers in the bank.

Another ethical challenge mentioned by the workers of the bank was matters relating to transparency, integrity, openness and honesty. These are issues that determine the performance level and dedication of the workers. According to the workers who gave these assertion, always remaining transparent, open, honest and having that integrity is a major challenge. The tendency to ignore these to your favor and the favor of other people is very high. Being open and transparent according to them can make things difficult for them at certain times. Also another ethical challenge relating to openness and honesty is declaring of thank you gifts. Workers find it difficult to declare and most times do not declare it.

Another ethical challenge faced by most of the respondents has to do with not giving preferential treatment to people they know. The workers of the bank mostly give preferential treatment to their friends, family and people who normally dash out something after being served. This is unethical but has become the norm in the various banks. Changing from this habit poses a great challenge to most of the workers since it's difficult to ignore someone you know who seeks your help in an unofficial way.

Another ethical challenge faced by some of the workers of the bank relates to giving financial advice to either favor the bank or the customer's or clients of the bank. Sometimes the workers give advice that favors the customers at the expense of the bank. Another ethical challenge is processing transactions when documents are incomplete or expired. This is basically because of favoritism.

5.1.4. The workers in the LIB bank gave some ideas and suggestions about ways by which business ethics principles can be adequately entrenched in the LIB bank. Amongst the suggestions of the workers were:

The majority of the workers believe that the management of the bank should update the ethical standards of the bank to conform to current banking standards.

Some workers also believe that the values and ethical standards of the bank must be enforced to the letter. A worker who goes against these standards must be punished so it serves as a deterrent to others in the bank.

Portions of workers of the bank also believe that there must be a well-structured orientation and reorientation for all staff of the bank in order to instill strongly in them the ethical beliefs of the bank. Also motivating incentive packages must be awarded to workers who are seen as operating ethically so that it can inspire others to do same.

5.2 Conclusion

The work sought to find out the impact of business ethics on organizational performance. The objectives of the research included the business practices at LIB banks and how it impacts on the performance of the banks. Bank managers operate in a complex environment. They are affected by and to some extent, influence by the environment. Managers of banks operate in a pluralistic society in which many organize groups represent various interests. However, there is now a general recognition that the responsibility of business goes beyond profit maximization.

Ethics deals with what is good and bad as well as with moral duty and obligation. The research has proven that business ethics impacts positively on the performance of the bank with respect to achievement of corporate goals.

There should be more commitment from the managers and workers of the banks to ensure the propagation of ethical business practices. This will also ensure that transactions are carried out in the correct manner with exception of occasionally happened fraudulent act, in addition to the fact that it will improve customers' loyalty for those firms that put it into practice, which will then ensure an increase in performance with respect to achieving its goals.

5.3 Recommendations

After detail analysis of business ethics practices of Lion international bank S.C. the following recommendations are forwarded based on the observed gaps and problems.

1. Discussion of ethical issues in staff meetings needs to be practiced in the banks. When this is done, the staff or workers of the bank are generally abreast with the ethical standards needed by the bank and will adhere to it. The tendency to forget about the standards is there so constant reminders through staff meetings will do the workers a lot of good.
2. The compliance dimension in the ethical practice of the bank's is the highest contributor to the performance of the bank in terms of achieving its goals. It is therefore

recommended that, there needs to be an improvement in the items that forms that dimension. This will ensure greater contribution to the bank achieving its performance goals.

3. All other dimensions need to be improved by creating good organizational cultures since they contribute to the performance of the banks with respect to achieving its goals? The dimensions are honesty and integrity, social responsibility and transparency.
4. The banks need to undertake self-assessment of their compliance to the code of ethics periodically and in order to achieve honest and complete answers to these questions, the banks should arrange for their own assessments to be contributed to and challenged by key stakeholders or partners (for example, unions , service users) and regulators.
5. Lion international bank S.C believes in the importance of business ethics. On the other hand, the bank does not practice business ethics formally. Hence, to practice business ethics formally, the bank had better make use of the following indicators of formal business ethics. These are:
 - Written ethical standards
 - Publication of codes of ethics
 - Training program on business ethics
 - Ethical committee or ethical officer
6. Top management staff of the Bank should act as role model in areas like avoiding conflict of interest, prudent lending etc. and provide ethical leadership so that they can set the standard for their bank and make sure that all staff in the bank observes the standard.
7. The Bankers association and National Bank of Ethiopia need to help all Banks to collectively adopt the Code of Corporate Governance and ensure that there is transparency in the industry in order to maintain public confidence in the Banking industry.

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8. As part of ethics program, Lion International Bank S.C needs to design a rewarding system for ethical employees.

If organizations can implement these recommendations, they will reap the benefits of more satisfied employees willing to invest more discretionary effort to make their organizations successful. Coupling this discretionary effort with enabling work environments will provide organizations with an even more competitive edge that will enable them to win in the talent marketplace.

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Appendix

APPENDIX I–QUESTIONNAIRE

St. MARY’S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

Masters of Business Administration (MBA) Program

Questionnaires to be filled by Executive Managers, Directors, Division Managers, Branch Managers/Section heads, Senior Officers/CSM-Managers, Officers and Junior Officers
Dear respondent:

I am conducting a research on “an investigation of business ethics practice in the case of Lion international Bank s.c” For the partial fulfillment of the requirements for Master’s Degree in General Masters of Business Administration (MBA) Degree.

The study is meant only for academic purpose. Thus, all your responses will be kept under absolute confidentiality. The outputs of the study will help as an input for the company’s decision makers and the results of the project will be used solely for Academic purposes.

Directions for filling the questionnaire

There is no right and wrong answer on the options provided. Therefore, you are kindly requested to fill your real opinion regarding each question. Put a tick mark (√) on your choice in the space provided and for the open ended questions briefly write your answer on the space provided.

No need to mention your name or any other identification. In case you have any questions please call 0914375091 or email humeraadmas@gmail.com.

Thank you for your valuable response and time.

6	Ethical issues of 'right and wrong' are discussed in staff meeting			
7	Does your organization have mechanism for awareness creation			
8	Do the managers and executives of your organization demonstrate high ethical standards?			
9	Does your organization communicate its expectations to employees in relation to ethical decision making and behavior?			
10	Does your organization have a strict measure to penalize those who demonstrate unethical behavior?			
11	Is there in your bank a recognition or reward for staffs that show exemplary ethical behavior?			
12	Is there a means to obtain the opinions of customers about the behavior of the bank's staffs?			

Part B: Challenges of implementing Business Ethics

I. What are the three most **difficult ethical issues** that you have faced in your work? List the three most difficult ones.

- 1.....
- 2.....
- 3.....

II. How difficult is it to implement ethical standards in the bank?

Extremely difficult () Difficult () Not sure () Not difficult () Very easy ()

PART C: Dimensions of the practice of business ethics

Instructions: please respond to the following statements by putting an “√” in the block that most accurately represents your opinion.

		Strongly Disagree	Disagree	Natural	Agree	Strongly Agree
S.No	Item (Reliability)	1	2	3	4	5
1	Unless it is ordered by court the bank does disclose accounts information of customers to anyone other than the account holder					
2	The bank does not try to know the secret of the customer's business.					
3	Any business dealings of customers with the bank are not kept with utmost confidentiality					
	Item (Social Responsibility)					
4	The bank takes part in social welfare activities					
5	The bank finances in projects that have social attachment					
6	The bank includes in its annual budget an amount that is intended to be used for social needs.					
	Item (Honesty and Integrity)					
7	The bank executives does conceal facts that may not compromise business secrets of the bank					
8	The bank executives do not take bribe					
9	The bank executive does misreport and misrepresent issues that related with the activities of the bank.					
10	The bank does violate NBE directives					
11	The bank does not encourage customers to conduct illegal transaction					
12	The bank executives do not maintain illicit relationship with customers					
13	Recruitment, selection and promotion of staffs is free from any nepotism.					
14	Most of the frauds perpetrated in the bank are due to insiders and collaborators					

	Item(Compliance)	1	2	3	4	5
15	The bank maintains conformity of service standard and rules as promised					
16	The bank maintains conformity when charging customers for services rendered as they promise????					
17	The bank maintains conformity as it promotes its products and services					
18	The bank always adheres to its own policies and procedure.					
19	The bank always complies with the directive issued by NBE or any relevant government organ.					
	Item(Transparency)	1	2	3	4	5
20	The bank executives does approve false financial statement					
21	The banks do not over estimate profit					
22	The benefits that top managements of the bank obtain can be known by any staffs of the bank.					
23	Approval of loans and foreign currency are made with a transparent manner.					

Part D: Performance Measures

Using the following scale indicate how successful your bank is

S.No	Item	Much Worse (1)	Worse (2)	Same (3)	Better (4)	Much Better (5)
1	My bank's performance in achieving its goals is....					
2	My bank's growth (e.g. Profit, deposit, No of customers, etc)					
3	My bank's success in attracting					



	customers/clients is....					
4	My bank's return on asset is....					

In your own opinion, what are the ways business ethics can be entrenched in the bank with respect to the workers and the banks activities?

1.....

2.....

3.....

Thank you for your time!!!!

