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JAIIB / DBF / PPB - 2020



CLASS-1

ETHICS IN BANKING

MODULE E



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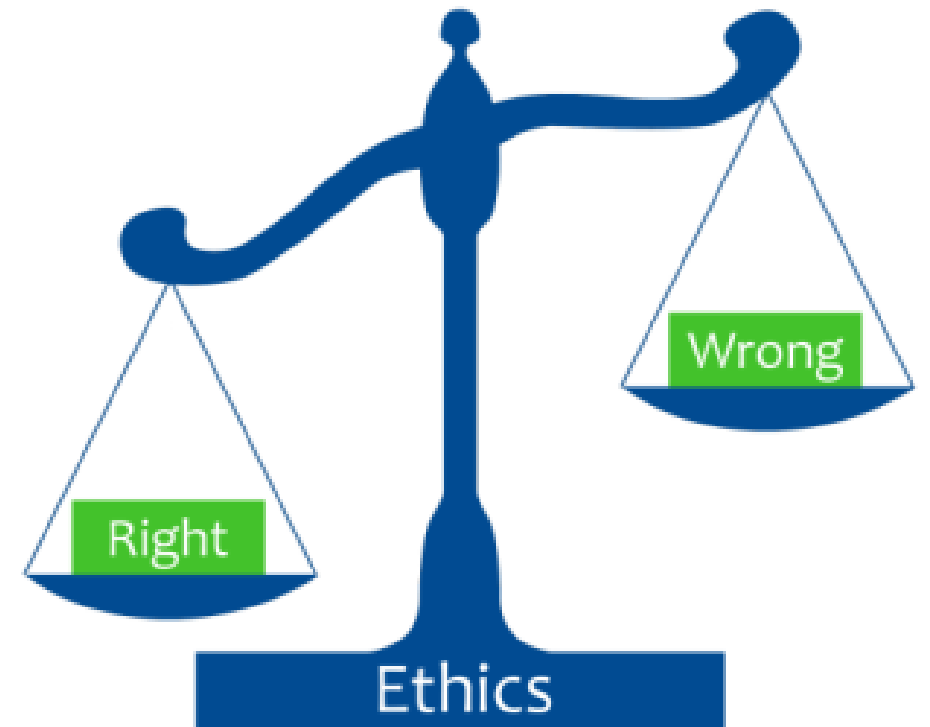
Ethics in Banking

- ❖ Ethics and Values
- ❖ Ethics and Business Values (Myth and Reality)
- ❖ Business Ethics
- ❖ An Ethical Crisis
- ❖ Ethical Foundation of Banking
- ❖ Banking Ethics in Global Context
- ❖ Global Financial Crisis
- ❖ Banking Ethics in Indian Context



ETHICS

Ethics are a system of moral principles and a branch of philosophy which defines what is good for individuals and society.





Importance of Ethics for Banking Sector

- Ethical practices are very important for Banking Industry which is backbone of every economy.
- Banking Sector Functions- Key Principle of ethics
 - Trustworthiness
 - Banking professional
 - ✓ Honest
 - ✓ Responsible
 - ✓ Excellent Leadership Qualities



Ethics and Business Values (Myth and Reality)

Business value is an informal term that includes all forms of value that determine the health and well-being of the firm in the long run.

Business Ethics- Established Principles and standards that guide behavior in the world business

Specific action Right or Wrong, Ethical or Enethical?

Determine by Investors, Employees, Customers, Interest Group, legal system and community



Difference between Business Ethics and Business Values

Business Ethics	Business Values
Ethics refers to the guidelines for conduct, that address questions about morality	Value is defined as the principles and ideals. Which help them in making judgement of what is more important
Moral principle system	Induces thinking
What is morally correct or incorrect in the given situation?	What we want to do or achieve?
Magnitude of rightness or wrongness of one's options	It explains the level of significance



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Business Ethics

According to **Adam Smith**:

In a Capitalist Economy, both customer and industry co-exists for the benefit of each other.

Ethics involves both **internal stakeholders** (employees) as well as **external stakeholders** (Investors, lenders and Customers).



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Principles of Business Ethics

- Dignity
- Fairness
- Honesty
- Openness
- Reputation/Goodwill
- Prudence
- Concern for others



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Principles of Business Ethics

- 1. Dignity** Treat each other with respect



Courtesy is major element of dignity

Business- Professional respect and courtesy

Objective-Should not be only profit making but also customers' interest



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Principles of Business Ethics

2. Fairness

- | | | |
|----------------|---|-----------------|
| ➤ Actions | ➔ | ✓ Morally right |
| ➤ Process | | ✓ Honourable |
| ➤ Consequences | | ✓ Equitable |

Equal distribution of justice

1. Every one get equal share (Simple equality)
2. People get share according to their contribution (Commercial equality)
3. People get share according to need (Socialist Model)

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Principles of Business Ethics

3. Honesty Truthful and straight forward

Honesty in business practices always rewards the business



Trust

Employees +Customers + other stakeholders

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Principles of Business Ethics

4. Openness

- Not concealed
- Not possible for a firm to reveal vital information



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Principles of Business Ethics

5. Reputation/Goodwill

Most important assets of a business

Business should work on building reputation in the market

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Principles of Business Ethics

6. Prudence

It is the ability of the business to make right decision

Which comes from knowledge and experiences



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Principles of Business Ethics

7. Concern for others

Social Responsibility – Every business takes birth, grows survives- Society

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Q. Ethical conversation is primarily about finding the one and only right thing to do.

A) True

B) False



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Q. Business ethics is the application of ethics to the special problems and opportunities experienced by business people.

A) True

B) False



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Q. Business ethics results in a set of correct decisions.

A) True

B) False



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Q. The only social responsibility that businesses have is to focus on how business decisions affect company operations.

A) True

B) False



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Q. Which of the following statement is true?

- a) Business ethics modifies people's behavior
- b) Objective of ethics is managing values and conflict resolution
- c) Business ethics and corporate social responsibility are the same
- d) Ethics cannot be managed



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