Ethics and professionalism in banking services

Adewale A. Alawiye-Adams

Triple ‘a’ global Nigeria Ltd

Email: adedams_intservices@yahoo.com; 08033900620; 08064576493

Accepted 10 August, 2012

Ethics and Professionalism are two key words relevant in consideration to effective practice and delivery of banking services, all over the world. This paper considers this critically important subject matter from both the point of relevance of both the institution as an entity on the one hand and its operators (both owner/Directors and employees) on the other hand, as it relates to internationally accepted rules and regulations of standard practice, recognition of right and wrong operational procedures. Existing and continually developing academic/professional training opportunities, including other sources of Human capital development, all gearing towards banking practice efficiency, effectiveness and development both locally and internationally, have lost relevance both in content and in sufficient technicality to adequately equip the bank employees today (most of which are not properly grounded in the pre-requisites of what is required to be effective in banking services delivery. Society places significant trust and confidence on banks in their expectations on the expected leadership role of banks worldwide, as providers of the most crucial resource for production in commerce and industry for economic growth and development. However the failure of banking operatives in upholding the codes of Ethics and professionalism, the weak base of banking knowledge, both in theory and practice have resulted in disregard for the codes of Corporate Governance, reckless initiation of diverse insider abuses, by both board members and staff of banks, banks shunning the directives of regulators, with disdain. Systemic bank failures, institutional and industry disorders and collapses have been the consequences of the anomalies.

Keywords: Codes of Ethics and Professionalism, Banking practice, misconduct of Boards, management and staff of banks, Codes of Corporate Governance, Lack of Competence and Effectiveness resulting from non adherence to codes.

INTRODUCTION

Banking practice evolve enormous responsibility for the trust and confidence society places on banks because of their leadership role as provider of the most crucial resource for Commerce and industry in facilitation of economic growth and development. Therefore managements and employees of banks have higher responsibilities to strive for higher ethical and professional standards of conduct both as institutions and as individuals involved in carrying out sensitive functions for and on behalf of society.

It is an obvious fact today that banks and other financial institutions constitute a formidable group of stakeholders in a modern economy, occupying a crucial pivotal position in the credit and cash management process as the centre point of the intermediation function they are created and reputed to carry out on behalf of the entire economy of any nation. Therefore, the banking industry occupy a domineering economic and social group of institution for which society demands a very high code of professional conduct and standard of ethics to retain their envious position and very important status in the economic environment and in the confidence of the people.

Ethics and professionalism

Ethics

Ethics is defined by the Advanced Learner Dictionary as: A code of Moral principles, they control or influence a person’s behavior in professional or business practice", a system of moral principles or rules of behavior detailing what is right and wrong, expected position to be taken by all concerned persons. Ethics can also be defined as the study of the general nature of morals and of specific choices made concerning
the rules or standards governing the conduct of the members of a profession as to appropriate defined grounds of morality, moral judgment, standards of behavior and rules of conduct.

In all the diversities of the definitions of ethics whether for academic or professional practice purposes, the key points for consideration reflected in all acceptable definitions includes:

- Identifying what is right and what is wrong
- Identifying a generally acceptable standard of behavior
- Identifying a system of moral principles and rules of conduct for a specific group of people or professionals and finally
- Making specific choices of complying, obeying and practicing the right or deviating to the wrong side of the balance.

Code of ethical standard is instituted for both the organizations operations and also for the control of the activities and life style of all employers including Directors and Management Staff.

**Professionalism**

On the other hand can be defined as the high standard that is expected from a person who is properly trained in a particular job or trade: attainment of great skill and ability in a practice of a trade, job or vocation.

Professionalism in banking practice demands an acquisition of a minimal basic formal education and a deliberate, undertaking of a specially schemed professional banking training/education that is certified after passing the appropriately examination of the banking professional body called - The Chartered Institute of Bankers of Nigeria established, recognized and Chartered by Acts of parliament for the purpose of conducting, regulating and certifying all its members who after presenting themselves for such banking professional examinations and successfully completing the appropriate levels of the qualifying examination are conferred with the appropriate qualifications establishing and confirming their levels on the professionalism ladder.

Professionalism and Ethics are two concepts that are dependent on each other for an employee to proof their compliance with good and acceptable standard of practice.

An employee requires compliance with the two concepts. If you are professionally qualified and you are void of acceptable ethical standard, you cannot function acceptably in banking practice, on the other hand if you embrace acceptable ethical standards and you are not qualified professionally, you remain incompetent and considered incapable of correctly taking certain vital decisions in banking practice that will be considered properly guided by codes of professional practice irrespective of your level of authority.

**Why ethical standards in banking practice**

The banking industry commands an embodiment of respected institution, parading expectedly a group of employees who should undoubtedly possess and display the following qualities among others:

- High level of integrity
- Trust
- Impeachable characters
- Outstanding knowledge acquired from sound professional training
- Very disciplined, in character, learning and in practice
- Commanding the respect of employer and of the customers by their acts.
- Manifesting special confidence in themselves and in positively portraying the organization they work for.

Much as the qualities specified above are some of the outstanding qualities expected of a bank employee, to function appropriately and without blemish on himself and the banking institution they represent, the truth of the case is that, these qualities were found in the traditional old banking institutions and employees in the olden days when those admitted into the noble profession of banking already knew the sanctity of the profession they were entering into before they were admitted into it. They readily knew what was expected of them and they also have girded their loins even before the rules of ethical standards were handed to them.

Most of these bankers and bank workers of old were not desperately seeking a job, they were specially selected for their appointments after thorough personal scrutiny, family background confirmation from those recommending the prospective employees for the noble job and such employees in a higher percentage of rating conducted themselves satisfactorily to prescriptions and expectations.

Fraud and fraudulent practices, cash pilfering, conspiracies, money laundry, betrayal of trusts and abuse of privileges of trust and confidence were at the barest minimum. They were not common in the banking system of old and the employees then were fortnight, loyal and committed to good behaviour, honesty and responsibility.

However with the sudden explosion of the industry in the mid 1980, when a higher level of liberalization in banking licensing was initiated and approved by the ruling military authorities who knew next to nothing about the requirement and the rudiments of banking practice.

They granted banking licenses to every Torn Dick and Harry including themselves, their wives, children and relatives. Every nook and cranny of Nigeria was filled with new banking offices and they were called new generation banks.

One of the immediate disastrous consequences of this negative action was the manifestation of inadequate well trained man power to manage the sudden upsurge in banking establishments. To worsen this situation, the road side mechanics, carpenters, vulcanizers, and all sorts of
illiterates and dishonest businessmen suddenly became Chairman/Managing Directors of banks, moved their entire households to take up the management of the new banks and a new spate and culture of unethical and unprofessional practice emerged uncontrollably in the banking industry. The consequences of such developments were:

- High-tech fraudulent practices
- Bad and unprofessional decision taking in the day to day management decisions that endangered the fabrics of the banking system.
- High turnover among the unqualified yet highly over paid, new employees of banks, who came from diversed unrelated disciplines.
- Bad decisions resulting in great losses for banks
- Banks now abandoning traditional baking practice to engage in different kinds of very volatile and dangerously risky business ventures that led to unprecedented losses.
- Banking industry gradually by the early 1990s drifted into the realm of unprecedented distress syndrome that resulted in the gradual collapse of a higher percentage of the number of existing banks and an occurrence that practically threatened the total existence of the Nigeria banking system and the relevance of the regulatory institutions.

The need for new rules of ethics and professionalism

With the evidence of the new negative occurrences and developments in the Nigerian baking industry and the continuous occurrence of unethical and unprofessional practices spreading like wild fire within the Nigerian banking industry, it became imminent that all surviving banks have to adopt the various prescribed rules of ethical code of conduct for all levels of staff and management of banks as prescribed by the various statutory provisions in the banking Act particularly in the Banks and Other Financial Institutions Decree of 1991 (BOFID) and the various amendments thereto which among others include:

- A code of ethical conduct for directors and management staff of all banks in Nigeria
- Section 19 of the same BOFID of 1991 which requires that every Chief Executive of a bank should have a code of conduct for the staff of the bank.
- Such rules of ethical standard and professionalism are expected to be observed by all practitioners in the banking industry and any violation of the rules of moral standards and professionalism are required to be sanctioned appropriately, of conviction by a court of law, or a properly constituted commission of enquiry by the board and management or better still if the commission of a violation is upheld by an appropriate committee of one of the regulatory authorities including:
  - The Central Bank of Nigeria
  - The Nigeria Deposit Insurance Corporation
  - The Chartered Institute of Bankers of Nigeria

The responsibility of bank management to communicate and inform all employees on ethical standard

The issues of violation of ethics and good professional practice are expected to be properly designed, defined and effectively communicated to all employees, more appropriately through training at the point of entry of all employees into the bank. The bank owes every new employee a duty to duly inform them in writing and in training of what constitute the codes of ethical standards and expected standards of professional practice in all the areas of operations of the bank. Some of the general and specific areas that are usually addressed in a code of conduct provisions include issues bothering on the following among others:

- Responsible decision making,
- Confidentiality and Duty of Secrecy
- Privacy
- Fraud and fraudulent practices
- Conspiracy with insiders or outsiders against the bank
- Copy right exposure
- Trade secrets
- Sabotage.

Others include:

- Honesty
- Reliability
- Obedience
- Prudence
- Integrity
- Transparency (both on the part of the organization and individual employees)
- Dependability
- Bribery/corruption and Acceptance of gifts for gratification.

Responsibility of employees on the acceptance of the code of ethical and professional conduct

The acceptance and consent by the new employee to the banks code of ethical conduct is only negotiable, if the employee has to make a choice whether He or She wants the job or not. Acceptance of the job offer, places an automatic demand on the new employee to accept and hold him/herself responsible to observe in strict practice what is contained in the banks code of ethical standards approved by the Board and management for all employees of the bank. It is therefore a forgone conclusion, for any new employee in the employment of a bank to sign an oath of acceptance and allegiance to the banks standard code of ethical practice for employees of his level. It is therefore
mandatory for all employees to accept the conditions and comply unequivocally with the provisions of the code of ethical and professional conduct.

As soon as prospective employee signs the documents of the standard code of ethical practice approved for the bank, he or she is bound by the contents therein and any violation of any provision of the code, subjects the employee to prescribed sanction which the code must also prescribe in the document.

Implications of the code of practice

The purpose of instituting and committing the organization and its employees to the code of ethical standards is not only to create and enforce rules.
- But also to create an atmosphere of mutual trust, respect and understanding between banks and her employees on the one hand and between the bank, its competitors and customers on the other hand.
- It facilitates good and acceptable conduct of the banker/customer relationship.
- When fully operational, it promotes an improved quality of banking services.
- It pre-empts disagreements and prevents unhealthy competition among employees and between banks.
- It prevails on banks to avoid sharp practices and insider abuses by board and management staff, to avoid sanctions from both management and the regulators.
- Commitment of all banks and their employees to the code of ethical standard and established professionalism help to build a healthy industry, a prospering business environment and encourages transparency across the banking industry and upholding the ideals of good corporate governance now being encouraged by government for all firms in Nigeria.

SUMMARY

The limited time frame for the presentation of this paper cannot allow for an exhaustive treatment of all the details involved in ethics and professionalism in Banking services which for obvious reasons of:
(i) An expanding industry with very poor quality and insufficient and inappropriate manpower structure is experiencing very high degree of ethical and professional misconducts among the various rank and file of Board, Management and staff across the industry.
(ii) Engagement of people of poor and sometimes total lack of professional training and competence to assume positions of high responsibility and decision taking.
(iii) Engagement of low character and integrity, very greedy inexperienced people who possess little or no banking or business training to hold responsible positions who become prone to the temptation to become dishonest and fraudulent with an ambition to get rich quick in the course of their employment in the banks.
(iv) Invasion of the banking industry by desperate fraudsters and network of forgery experts, economic and financial gangsters, posing to be employees whose intention of coming to the bank in the first place is to defraud the banking system and bleed the economy dry to fulfill their greed and inordinate ambitions.
(v) Greedy members of board and management whose intention is to continually abuse their positions to apportion to themselves depositors money they are appointed to protect, to meet their insatiable needs.

The above situation have made the subject of “Ethics and professionalism in Banking services” a front burner issue of concern that needs to be pursued with vigor to impact larger numbers of the dishonest enemies of the industry that are currently being paraded as members of the Board, management and staff, before they sentence this industry to another round of distress and threat of collapse, which we cannot afford.

Obviously, an upgrade and a refining of the code of ethical standards and enforcement of professionalism of in the practice of banking in Nigeria is one of the channels to check the activities of members of staff with wrong intentions within the banking industry.

The three regulatory authorities that is Central Bank of Nigeria, Nigeria Deposit Insurance Corporation and The Chartered Institute of Bankers of Nigeria should come together in the attempt to unify the Code of Ethics for Standard Practice in the banking industry.

The decision of the National Assembly to give additional powers to the CIBN to register every worker in the banking industry is surely a great step in the right direction to bring everyone within the industry within the control of the Chartered Institute of Bankers for the exercise of control and possible sanction of everyone that commits any ethical or professional misconduct in the industry in the nearest future. I belief we are gradually winning the war but there is yet much to be done in the prosecution of the war against misconduct in the banking industry. All that is needed is the will to win and the war would be won.

RECOMMENDATIONS

Governments, Regulators and Banking professional Institutes most collaborate to proffer strategic solutions to the rescue.
REFERENCES


