Banking Service Delivery from Financial Institutions (An Integrity Perspective)

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Abstract
Although the numbers of financial institutions in economy are increasing, the number of their consumers is also increased; in such, the responsibilities of financial institutions are also increased to satisfy their consumers with their better and quality services. The financial institutions have claimed their contribution to uplift the lives of their consumers in one hand; on the other hand, the consumers feel that the institutions are responsible to make them indebted and exploitation. In this, the integrity crises of these institutions are prevailed in surface. It is, therefore, contemporary to analyze whether the financial institutions are honest for their service delivery and welfare of financial consumers or not. Do they well behave their clients and obey the general trend of customer service in general and show professional transparency and accountability in particular? Regarding the issue, the paper tries to analyze the issue of banking service integrity from the views of service provider. The paper is an outcome of desk reviews of policy, thematic, theoretical and empirical reviews.
Keywords: Banking service, financial market, Integrity, Depositors, Debtors, Undue benefits

The Context

Financial market is said an engine of economic growth and development of a country. More expansion of sound financial markets, that enhance the overall economic activities and thereby the development. The financial market comprises of banking financial market and non-banking financial market. Such the markets have separate and significant contributions in an economy in general and in financial market development in particular. Banking market includes different commercial banks and other non-bank financial institutions as classified in law. Likely, non-banking financial market includes the institutions except the banks and financial institutions. The paper has more focus to find and explore the role of banking market and the emerging challenges of it from integrity perspective.

The banks and financial institutions generally collect the financial resources from the surplus sector to lend it in deficit sector. Such the activities can help to raise the life standard and income of the people. The surplus resources can generate its monetary value through the interest earning in one side, the deficit sector can run the planned business with the supply of resources. Both suppliers and demand makers of their financial resources are the consumers for financial institutions. Their satisfaction and financial welfare is prime concern for the financial institutions for their sustainability. There are two different claims on the financial integrity that from the institutional side; the service providers are dedicated to provide the financial services with low possible cost, whereas the service users do not accept the claim. For example; some of the institutions have manipulated the clients by deducting the service charges they levied without prior notice and approval of the clients; they increase the rate of interest on the loan and decrease the deposit rates without any pre-information and approval of the clients. From these activities the claims made by the clients have some rationale.

Literature Reviews

The financial sector is growing sector in Nepal that has no more than eight decades of history of evolution. Although, the financial activities of the people are closely linked with them from their development of civilization, it is difficult to find absolute date of its beginning. According to Nepal Rastra Bank (1996), a low caste merchant named ‘Shankhadhar’ introduced the financial activities first in Kathmandu valley as repayment of general people’s loan to the then king and liberated the loanee people. In 1877 A.D., then Prime Minister Ranoddip Sing established an institution named “Tejarath Adda” to provide the loan to employees of the royal palace with 5 percent interest rate. But the Adda could not work for a long and systemetically. The establishement of Nepal Bank Limited with cooperation of Imperial Bank Limited of India in 1937 is taken as a milestone in Nepalese financial history with 51 percent share investment by Nepal Government and remaining by the private sector (Nepal Rastra Bank 1996).

After nineteen years of NBL, i.e. in 1956, Nepal Rastra Bank was established as a central bank according to NRB act 1955. Its prime role in Nepalese financial system was to make the Nepalese currency as legal tender, though, the ecoomic activities were done with Indian currency. Before the restoration of democracy in 1990, limited banking and financial institutions were established, some of them were joint venture with foreign banks and some of them with investment of Government of Nepal. Establishment of Nepal Industrial Development Corporation to increase industril financing in 1959, establishment of Rastriya Banijya Bank with fully public investment in 1966, establishment of Agriculture Development Bank to increase small and agricultural credits in 1968, establishment of Banking Promotion Board by NRB to dissiminate the banking knowledge in 1968 are some move of financial development in Nepal (Pradhan, 2005).

Now, accroding to the monetary policy of Nepal Rastra Bank (2014), there are total 204 financial intermediaries (comprise of A class 30, B class 84, C class 53 and D class 37) licensed by NRB that provide banking services in Nepal. Basic banking services include savings or deposit mobilisation, credit creation, utility paments of the customers, remmitance transfer, trade paymets, guarantee provide, money transfers, payments and settlement of payments etc. All such commercial transactions have a certain amount of cost that the customers have to pay. The customers raise the question about its rationality, its transparency and its equavalent rate of return to them.

Although, there is increasing number of financial institutions, as stated above, the consumers are less aware of the financial market, services they provide and the ways of making better savings and credits. The level of financial literacy in Nepal is claimed poor due to which the banking customers are unable to get the financial awareness and knowledge, sometimes wrong attitudes towards the financial indicators such as deposit, credits, and remmitances, bear low skill of financial planning of their limited income and further income generating activities, and their trend of financial behavior is very weak.

Evans (2012) defines integrity as cornerstone of good governance. It tries to focus transparency, accountability are parts of integrity. Additionally, the integrity is related to sound cultural feature of employees and others towards one's professionalism. 'Integrity' refers to the application of values, principles and norms in the daily operations of public sector organisations (Evans, 2012). He further explains integrity as paradox. But in practice, the role of integrity is not found limited in public organizations only. Integrity seeks rational right of action rather than that of written. There is rational violation of written provisions, if it is not practicable and generally unacceptable. But there is high risk of determining what is better and worse.

Head (2012) explains integrity as anti curruption activities within the public sector. His claim has two distinct gaps i.e. integrity is more than anti currption activities and integrity is not only valid for public organizations. Currption is one outcome caused by undue integrity whereas there are different understanding of curruption. Curruption is an act of undue financial benefits from service consumers by service providers, it is more policy curruptions too. Another, the integrity is a human asset that starts from mind and necessary for all the sectors.

In their research article, Hoekstra and Kaptein, (2012) rejected 'one-size-fits-all' concept of integrity in public and private institutions. It shows that the integrity is contextual and with different values for different service customers and service providers. They have further explained the integrity, in their article, in the form of micro, meso and macro level. Accroding to them, in micro level, the integrity is taken as ethical behavior as an act of individual emplyees as of good morality and ethical while performing their job. In macro level, integrity is explained in national and international level. In meso level, integrity is a part of interorganiztional level, where a degree of fair competition between and among the rivals are considered. All the levels of integrity expects a high degree of moral behave for service consumers within and beyond the existing system.

Montfort, Beck, and Twijnstra A. (2013) suggest that the integrity can be expanded through training and development programs. They further explained that nowadays, integrity-training programs are increasingly seen as an important element of compliance-based ethics management. Civil servants are provided with instructions and information intended to influence their behavior directly, and in such a way that it complies with the applicable regulations (Roberts 2009, as cited by Montfort A.V., Beck L., and Twijnstra A., 2013). The authors claim that the integrity can sharpen the work effectiveness of employees and students with the help of training and development programs. But they are unable to explain by how much effectivness can be seen for the individuals by such training programs because it is difficult to scale the cognitive effects. Such the training does not ensure the degree of behavioural change of individual but only provides the wareness and knowledge by ehich they can change their attitude.

Integrity: Does it Work in Banking Industry?

Six, Veen, & Kruithof, (2012) explain some perspectives of banking service integrity; as a wholeness that focuses consistency and coherence of principles and values, integrity is a quality of acting with moral values and norms, misguiding and misinforming customer for high profitability. Integrity in banking busness is based on particular principles and moral values that guide the individuals or service provider. Banks and financial institutions are those that trade others money with trust. Their responsibility towards their customers are more sensitive than that of other businesses. People rely on financial institutions and save their life income there. In this, there is need of integrity in the financial sector that they do the business of others' money with trust. They must satisfy the depositors and debtors primarily and the other stakeholders such as shareholders, government, and society secondarily. This is possible only when they are more professional and honest. For this, transparency, disclosure and business ethics play vital role.

The concept of integrity systems, as noted above, was first coined by Transparency International in the context of national integrity systems (Pope 1996, 2000, as cited by Six F., Veen M.V.D., and Kruithof N., 2012). They further elaborate the integrity as integration of organization, its policies and practices on the moral or ethical ground. It means, the organizations are the symbol of trustworthiness and honesty from the people's perspectives. The core idea of integrity in any organization goes on the attitude or perception of organisational actors beyond their rules and regulation and code of conducts. There is possibility of gaining undue benefit from the policy gap, policy insufficiency, slow evasion and voilation of policies , mis reporting the seniors that he or she is following integrity as it is.

Integrity works in banking industries because only the policy framewoks does not work. It is because the integrity affects to human sentiments and rationality of wrong and right but the documented directions are only responsible to compliance method. There may be many loopholes which can help the employees to escape their job without violating the rules and regulations. In the surface, they may follow all the legal provisions, but it only is not be sufficient. Moral orientations can make employees responsible and accoutable that can motivate them towards the job.

Theoritical Perspectives of Banking Service Intigrity

Social determination theory suggests that the more employees internalize organizational (and societal) values and integrate them into their own value sets, the more they are likely to be motivated to act according to these values, and as a result integrity violations become less likely (Deci and Ryan 2000; Ryan and Deci 2000, as cited by Six F., Veen M.V.D., and Kruithof N., 2012). It emphasises on ethical bindings and circle that sets the moral limitation for the employees of banks and financial institutions and make them free from moral hazard and moral crisis. According to the motivation theory also, the individuals are always motivated with some incentives that comes from mind first and the level of desire and need of each people. But the greed and over expectation sometimes ruins the value of people and get one to the immoral; it may create cheating, fraudulances, manupulation, exploitation and expectation from the clients. The conscienceness of individual towards the negative result may drive or motivate the employees for high degree of integrity.

Cognitive theory assumes the human attitude and behavior are influenced from one's mind. When some one is mentally destructive and free from human values, there is crisis of integrity and moral values. The morality, ethics, and the similar behavior comes from one's cognition first, only then one goes to follow it. Further, the cognition theory further elaborates the factor influencing the mindset of individuals such as the family, society, external situation, colleagues, existing rules and regulations, his/her attitude towards the professionalism, level of one's satisfaction/dissatisfaction and some others. To change the cognitive position of employee towards their job in proper way, Montfort, Beck, & Twijnstra (2013) have suggested proper training and development program of integrity that can help to track their attitude in a right way. If one is able to judge what is actually right or wrong of job performance, the outcome of actions will be moral, ethical and entigral.

From the liberalisation approach, each individuals and the instituions are free to do any legal business within the globe. There is expectation of free and fair comprtitions in the market and the consmers are more soverign as well. In this perspective, if the people find any disagrrement with new financial institutions, they can shift their transaction to another. It means they have right to choice, as Novel Laurent Amarty Sen advocates. Freedom is the ground where every element of an economy is autonomous of any choice. There is no compulson of retaining within one institution without any conmfort. Similarly, the financial instituions have also the competitive envoronment for profit making. They generally offer many attractions to the consumers with the point of view to motivate them, but they do not have the right to capture them. This is the approach of liberalisation.

Concept of Integrity in Banking Business

Banking business is different than that of other types of businesses because it is a business of money of others. In this, there is need of high degree of morality, value based activities to the bankers and employees. In fact, defining integrity is a tough job because value and application of integrity may be different among people and also among the employees. Integrity is connected with high degree of performance of employees without any additional expectation from customers. The description of integrity for a CEO or High level manager may be implementing the decisions of Board of Directors in one side, and satisfying and motivating the employees towards better productivity in another side. Whereas, the integrity for BOD might be high degree of customers' satisfaction towards the service delivery and rewarding high amount of return to the sharreholders. There is a strong claim against employees and manageement's intigrity in Nepalese banking industry. Out of them few claims have rationale, some are of misunderstanding and some are due to different perspectives and contextuality.

Does Integrity Work in Banking Business ?

Integrity is always invisible, abstract, subjective but it is beyond the legal frameworks. The honesty and intigrity is appropriate where the existing policy framework can be inefficient and insufficeint. Integrity always guides empoyees towards the right actions. It is more applicable in Nepalese banking industry due to some crisis emerged in the industry in latter years. People are found no more hopeful in banks' performance, and their service delivery performance. However, there is need of expanding the ethical and moral values in service delivaery, increase in banking trust and strenthening public confidence in banking business is necessary. Comparibility, integrity has higher role and significance in banking business.

Some Integrity Crisis and Crimes in Banking Business

There is need of noticing the nature, cause and consequences of such banking crimes rather some typical examples. Cheating the accounts and money from the tellers and packet of bank note bundles, faulty good for payment checques, duplicating ATM cards, hacking and manupulating deposit accounts, breaking secrecy of bank accounts of depositors for criminals, take bribe from the customers for service delivery, taking the gifts and other consumption goods from customers, manupulating and misguiding the customers etc are the some nature of problems emerged as dishonesty and currupt characters due to integrity crisis in functional level of employees. In manager level also taking undue benefits from the employees and customers, leacking the information to the competitors and sometimes to the media, being passive for implementing the decisions of BOD, mistreating the employees are some ot he exaples of undue intigrity. For BOD, formulating unpracticable policies, evasing the employees' grievances, exploiting the employees with unjustifiable and non-competitive remuneration are some examples.

Misguiding the Disclosures as Integrity Crisis

It's a different perspective. Always the BOD has a plan to earn more profitability with quality services to its customers. There is intense competition outside and inside the industry. There is, equally, the need of a rational profitability to please the shareholders and owners and to sustain the business itself, otherwise, the business will have to quit. Lendning towards more earning sector and search of less costly fund (deposit or borrwoing) is its own business integrity. Fair competition is must, not how much integrity is measured while mobilizing reources and lending to the people. There may be few cases of such a misguide the customers through wrong and uncleare disclosures, but it is unfair. The stakeholder should find it and warn them about their fault if it is found.

Integrity for Justice of the Banking Consumers

There is no doubt, the banking business is always based on trust, confident and just maintain the welfare of genral public. But the question is how the trust, cofidence and just is to be maintained? What is the level of such subjective parameters are to follow? What if not such parameters are followed by the employees? Is it practicable to limit the integrity level of employees? The problem is the attitude of some actions such as interest rates for the depositors and debtors. How much is apporpirate? Who can determine it and on what basis? So, in modern banking, it is very difficult to mesure and find the appropriate level of integrity and its measure. The fair compititive environment in baking industry can make the right track of it.

Mitigating the Integrity Crisis in Banking Business

The integrity, honesty and morality are necessarily applicable for all the levels of service providers in financial intermediaries such as BOD, CEO and the operational level employees. The institutions are primarily based on the satisfaction of customers in terms of services offered and delivered by the financial intermidiaries. BOD is liable towards the government, general public, shareholders, top management and its employees; however, the CEO is liable towards the BOD and employees with different roles and responsibilities. The operational employees are more liable towards the customers with respect to given rules and regulations of the organization.

Some Critiques of Effectiveness of Integrity in Banking Industry

There is not any direct challenge to the need and effectivness of integrity in banking business, but indirectly it is assumed only a matter of talks. It is because the integrity is subjective and abstract, without any proper shape. Who can say that without compliance based frame, the integriy only does work? Next is, integrity is debatable because it is not valid for all in similar ways. It means it is different in perspectives and contextual. How to claim and expect that the employees are how much honest and moral? Integrity matter is descritionary that may make employee and management autocrate and sometimes irrational. One can say and claim his/her step and actions are rational while it may envite wrong impact. One can apply integrity as a safeguard of his/her any actions that again may exploit the customers, shareholders and economy in different ways. In this, the same integrity perspective might be counterproductive.

From another side, the rationality does not have any specific shape, scale and size. The actions thought honest by one may not be necessarily honest for another in the same pattern. The motive of an action for the banker may be of high professional; but it may be some more exploitation for the clients, but the management can claim that there is another responsibility for them to protect the welfare of their shareholders. If they pay more attention to the depositors, the debtors may suffers and vice-versa. In such, intergrity issue again emerges.

Conclusions

Integrity can not be defined in a single sentense that can describe its all the dimensions. It is connected with one's mind set and 'difficult to change, but not impossible'. In simple sense, integrity is a moral barrier that everyone has to follow. In banking business, the role of integrity for job performance is claimed more significant. Lack of integrity can cause a heavy loss of clients and an institution as well. Finally, the undue integrity can ruin the employee, general manger and BOD. The service providers should not think oneself as a awner of the organization rather better think and act as a public servant. For it one can improve his/her attitude towards profession, respect and guide the clients, help them, no undue expectation from the clients are some integrity examples.

The data says that the integrity has many dimenstions, meaning, values, level and effectiveness for different individuals in different ways. One claim as unethical action from one side may not be equally justified from next side. Likely, in banking business, the role and perception of integriy from BOD, CEO and operational level may not at same level. In general, the integrity in banking business always desires the sacrifice of undue benefit from employees, its customers, shareholders and from general people. For this; transparency, accountability, control factor, training and education can help.

Out of compliance based and value based integrity, the second one is seen more powerful because it follows the compliance based value actions with rationality. Compliance based integrity is in written form, what to do, what not to do, whom to do, why to do and how to do. The compliance base document in banking industry are some acts, NRB regulations, employees' rules, code of conduct, BOD instructions, job descriptions, institutional traditions/norms etc. Sometimes, the lacking, gap and inefficiencies in such the policy documents may envite integrity crisis. Role of integrity in such is think and act beyond such gaps and insufficiencies.

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