A SURVEY OF ETHICS IN THE NIGERIAN BANKING INDUSTRY

BY

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APPROVAL PAGE

This is to certify that this research project was carried out under our strict supervision and has been approved for submission to the Department in partial fulfilment of the requirements for the award of Doctor of Philosophy (PhD) Management of St. Clements University.

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DECLARATION

I, Ali Yidawi do hereby declare that this work is entirely my own effort and where works of other persons have been used or referred to, the sources have been duly acknowledged.

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DEDICATION

Dedicated to my parents:

Late Wakil Katsala Watakiri Yidawi and Mrs. Jatau Wakil Yidawi.

Specially dedicated to my wife, Mrs. C.A. Yidawi, and the children:

Mercy, Stephen, Alice and Elizabeth.

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ABSTRACT

This study is an attempt to survey Ethics in the Nigerian Banking Industry with a view of establishing the level of awareness of the code of ethics amongst Nigerian Banks. The research focuses on the adoption of the Code of Ethics to sanitize the Banking Industry and ascertain the level of compliance by Banks. Prior to the introduction of the Code of Ethics in the banking industry in Nigeria, Nigerian banks were operating with a Code of Banking Practice, which was produced by the General Assembly of Bank Chief Executives.

Some of the ethical issues and problems in the banking industry were highlighted to include dearth of qualified professional bankers, lack of proper ethics training, contravention of Central Bank of Nigeria (CBN) and Nigeria Deposit Insurance Corporation (NDIC) guidelines, frauds and other malpractices.

The research work further reviewed related literature on the subject matter to reveal the opinions and views of various authors on ethics and morality. The review of literature centred on the bank/customer relationship, duties of the bank to customers and vice versa, ethics, banking ethics, business ethics and corporate governance, professional ethics, ethics training, ethical values and expectations, and conflicts of interest. Other areas covered are: Professional code of ethics and code of corporate governance, Professional leadership, the roles of the CBN and NDIC in banking regulation and enforcement of sanctions for contraventions and defaults as well as the role of the Bankers Committee in promoting ethical awareness in all Nigerian banks.

The study employed structured questionnaires and the use of secondary sources of data primarily from the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC) journals The data obtained were analysed based on frequency of respondent’s opinions as shown in the tables and charts, and ranked by percentages. Five hypotheses were used in this survey and were tested using the Chi-square test (X^2). Other research questions were analysed using tables, charts and percentages.

The findings include:

i) The banking profession is unrestricted and so entry is open to all sorts of people thereby making it difficult to enforce ethics.

ii) There is general awareness of the code of ethics in the banking industry in Nigeria even though not all banks have adopted the code.

iii) Most banks encourage ethics training.

iv) There are many professional bankers at the helm of affairs of Nigerian banks.

v) The survey confirmed that in spite of all the checks and balances in Nigerian banks, frauds and forgeries are on the increase.

vi) Frauds and mismanagement compound the ethical problems in Nigerian banks and are responsible for the systemic distress in the banking industry in Nigeria.

Based on these major findings, several recommendations have been made on how to ensure a sound banking system based on ethical practices. These are: The Chartered Institute of Bankers of Nigeria (CIBN) should intensify campaign for ethical behaviour in the banking industry; all banks and bankers should register with the Chartered Institute of bankers of Nigeria; as there is need for continuous professional training and development; all Nigerian banks should collectively and individually adopt the Code of Ethics and Code of Corporate Governance for the banking industry; ethics training should be made compulsory for all Nigerian banks; penalties for unethical practices should be stiff to deter unethical practices; as well as the need for each Nigerian bank to include ethics training in its in-house training programme.

The study led to a number of conclusions: There is a general awareness of the Code of Ethics in the Banking Industry but not all Nigerian banks have fully adopted the Code. This means that the industry is not fully sanitized to curb it of unethical and unprofessional practices. Nonetheless, majority of Nigerian banks have code of ethics at the company level and consequently have ethical values.

Moreover, the study revealed that ethics training is receiving the desired attention at the professional level, as it is adequately covered by the professional examinations of the Chartered Institute of Bankers of Nigeria but it is generally lacking at individual company levels.

As a result, unethical practices like frauds, insider abuse, greed, mismanagement, and other financial malpractices are still rampant in the banking industry despite the introduction and adoption of the Code of Ethics and Professionalism in the Banking industry in Nigeria. This has been responsible for the systemic distress syndrome in the banking industry. It is understandable that frauds and forgeries in banks would not abet because that is where the money is kept. Ethics is the tonic required for self-regulation and good corporate governance devoid of conflict of interest and insider abuse. It is good to have a Code of Ethics; but it is not sufficient as a Code of Ethics is not a mechanical device. Codes mould and shape the characters of individuals in organisations like banks to enable employees determine what is good and what is bad; what is right and what is wrong. Thus, character education is vital to the development of ethical behaviour.

However Nigerian banks are inspected regularly to detect and correct frauds and unethical practices. The Inspection Departments of Nigerian Banks have complemented the efforts of the Bankers Committee in curbing the ethics stigma of Nigerian banks.

Fortunately, there are sufficient professional bankers at the helm of affairs of many banks in Nigeria who can provide the kind of ethical leadership required for the promotion and dissemination of ethical knowledge and practice.

Based on these conclusions, Nigerian banks must re-position themselves to tackle the challenges of the on-going reforms and consolidation in the banking industry as well as prepare adequately for the New Capital Accord or Basle II Accord.

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INTRODUCTION

The objective of this chapter is to introduce the statement of the problem and the objective of this research. The background of the study is stated as well as the statement of hypotheses and the limitations of the study. At the end of this chapter, readers will appreciate the significance and scope of this study.

1.1 Preamble

Banks worldwide are more regulated than any other institutions because of their role as financial intermediaries. As financial intermediaries, banks mobilize funds from the surplus spending units at a cost for on-lending such funds to the deficit spending units at a price.

Banks also provide an efficient payment mechanism in the economy. They provide smooth and efficient system for making payments to settle both business and personal transactions, and international obligation of their customers. However, banks must operate within certain guidelines, either as defined by law, public policy or practice.

Banking is essentially based on trust where depositors entrust their funds to banks for safety and investment. Consequently, banking business must be done in a transparent and ethical manner.

Sufficient legislation has been enacted to regulate banking operations and ensure a fair competitive environment. But regulations and penalties alone are not sufficient to ensure discipline in operations. Consequently, high ethical standards are expected to guide operations in the banking industry.

1.2 Statement of the Problem

At one of the Annual General Meetings of the Alliance of African Institutes of Bankers, Ogunleye (2004) observes, “one of the areas of concern in most of our respective banking systems is the issue of ethical standards. Unethical conduct manifests itself in various ways, including violation of banking laws and contravention of professional ethics, insider abuses, fraudulent dealings, mismanagement, uncontrolled risk appetite, et cetera. The consequences of violating laws and ethical standards by the industry are many including loss of confidence as well as trust in the system, loss of business for the institutions, distress in the sector and liquidation of institutions.”

In Nigeria, in spite of the banking regulation and bank examination by the Central Bank of Nigeria (CBN), the supervisory role of the Nigeria Deposit Insurance Corporation

(NIDC), and The Chartered Institute of Bankers of Nigeria (CIBN), there is still a growing concern with unethical practices in the banking industry in the country.

Nwankwo (2001:1185) asks, “What went wrong?

He indicates that “crisis confidence in the banking sector in Nigeria manifested itself in technically insolvent and distressed institutions, bank failures, severe liquidity problems, defaults in meeting depositor/creditor obligations, large portfolio of non performing credits and shareholder/board room conflicts. These were caused by macroeconomic instability, policy induced shocks, meddlesome interference by shareholders, insider dealings and abuse, proliferation of financial institutions unmatched with increases in supervisory and executive capacity, gross mismanagement, and political instability, among others”. A host of these problems are as a result of unethical and unprofessional practices.

Thus, in line with the applicable laws, the Central Bank of Nigeria (CBN) sought the cooperation of the Bankers’ Committee with a view of checking this ugly trend of unethical practices in the industry. The Bankers’ Committee was therefore charged with the responsibility of sanitizing the industry. A Sub-committee on Ethics was established to develop an acceptable code of ethics and also put in place effective machinery for enforcing compliance with the code. The Code has since been adopted in the Banking and Finance Industry. Sanusi (2001) cited by Ememe (2003) points out that “the adoption of the Code is a demonstration of the seriousness the Bankers’ Committee attaches to the need to weed out the “bad eggs” and sanitize the industry.”

The questions that need to be answered are:

1. To what extent has the code of ethics been able to sanitize the banking industry?
2. What is the enforcement mechanism put in place to ensure compliance with the code?
3. What have been the roles of the Inspection Departments in the banks?
4. Why is it that fraud is still rampant in the banks?
5. Why are banks not adhering to the code of ethics in the banking industry?

This study will seek answers to these and many other related questions.

1.3 Background to the Study

The banking industry in Nigeria witnessed a lot of changes following the liberalization of banking business as part of the Structural Adjustment Program (SAP) introduced in 1986 in order to revamp the economy.

However, the phenomenal increase in the number of banks heightened competition amongst the banks. The stiff competition for customers and deposits led to sharp unethical practices leading to the distress syndrome in the banking industry. This was compounded with the abolition of the dichotomy between commercial and merchant banks in 2000 with the introduction of Universal Banking aimed at providing a “one stop shop” for banking services.

Consequently, following the distress syndrome, some banks were liquidated. The Central Bank of Nigeria (CBN) has classified a vast majority of others as marginally healthy. This scenario warranted the desire to introduce a Code of Ethics and Professionalism in the industry to stem the detracting menace and sanitize the industry.

Banks are not only expected to operate professionally but ethically so that the general public would have confidence in the system. Ethics and professionalism would also help to check the distress in the industry and avert the collapse of the payment system.

1.4 Rationale for the Study

Effective market discipline as a condition requires that there exists a culture of financial transparency and ethical standards in banks worldwide. Banks in Nigeria have however often been criticized for indulging in unethical and unprofessional practices. The Bankers’ Committee was faced with the challenge of redeeming the image of banks and restoring public confidence in Nigerian banks by sanitizing the industry. A Code of ethics for all banks was to be codified for adoption and guidance by all banks and professional bankers. The rationale for the study is to show to what extent the code of ethics has helped to sanitize the banking industry and ensure stability of the banking system.

The study will therefore aim to achieve the following:

1. Establish the level of awareness and appreciation of the code of ethics and professionalism in the banking industry.
2. Establish the role played by the Banker's Committee in implementing the Code of ethics and the level of adoption of the Code.
3. Determine the enforcement procedure adopted by the Chartered Institute of Bankers of Nigeria when unethical practices are reported to the Secretariat.
4. Identify the Penalties imposed by the Monetary Authorities for unethical / unprofessional conducts and determine whether such unethical practices and mismanagement are responsible for the distress in the banking industry.
5. Determine whether professional bankers are at the helm of affairs in Nigerian banks and find out if the banks actually encourage professional training and development of their staff.

1.5 Limitations of the Study

Banking business started in Nigeria over a century ago but generally, there is dearth of information on ethics in Nigeria and this has been the major limitation of the study. The questionnaires were administered on all the eighty-nine (89) Deposit Taking Banks in the country. 200 questionnaires were administered and one hundred and sixty (160) responses were received representing a response rate of eighty percent (80%). The response rate is satisfactory to enable generalizations to be made from the study.

Another limitation of the study is that the research concentrated on the banking industry even though the Code of Ethics and Professionalism applies to the banking industry and other financial institutions. The choice of the banking industry is deliberate since the researcher is a professional banker. Moreover, there were limitations as to time due to the demands of the job as well as the cost of carrying out a survey for the entire finance industry (Banking, Insurance, The Stock Exchange, Discount Houses, Mortgage Institutions etc) without any scholarship or financial support. Consequently, the research has been limited to the banking industry and precisely to Deposit Taking Banks as defined by the Central Bank of Nigeria.

There were also limitations in terms of library facilities but the following libraries were most helpful:

1. The British Council Library-Lagos.
2. The Chartered Institute of Bankers of Nigeria Library-Lagos.
3. Questa- The World's largest on-line Library.

1.6 Statement of Hypotheses

To achieve the objectives of this research work, the following hypotheses have been formulated for subsequent testing and interpretation.

1. Hypothesis One

Null (Ho): Many banks in Nigeria are not aware of the Code of Ethics and Professionalism in the banking industry.

Alternative (Hi): Many banks in Nigeria are aware of the Code of Ethics and Professionalism in the industry

2. Hypothesis Two

Null (Ho): All banks in Nigeria have not adopted the Code of Ethics and professionalism in the banking industry.

Alternative (Hi): All banks in Nigeria have adopted the Code of Ethics and Professionalism in the banking industry.

3. Hypothesis Three

Null (Ho): Professional bankers do not manage many banks in Nigeria.

Alternative (Hi) Professional bankers manage many banks in Nigeria.

4. Hypothesis Four

Null (Ho): Many banks in Nigeria do not encourage professional training amongst their staff.

Alternative (Hi): Many banks in Nigeria encourage professional training amongst their staff.

5. Hypothesis Five

Null (Ho): Many banks in Nigeria are not distressed due to unethical practices and mismanagement.

Alternative (Hi): Many banks in Nigeria are distressed due to unethical practices and mismanagement.

1.7 Definition of Terms

BOFIA-Banks and Other Financial Institutions Act

CAMA- Companies and Allied Matters Act

CBN- Central Bank of Nigeria

CIBN- The Chartered Institute of Bankers of Nigeria

FITC- Financial Institutions Training Centre

NDIC-Nigeria Deposit Insurance Corporation

NSE- Nigerian Stock Exchange

SAP- Structural Adjustment Programme.

SEC-Securities and Exchange Commission

CHAPTER TWO

LITERATURE REVIEW

The objective of this chapter is to undertake a critical review of related literature on the subject and examine the works of various authors on the subject of ethics and professionalism, especially as it applies to the banking industry in Nigeria.

This chapter will therefore examine the meaning of ethics and professionalism, code of ethics and ethics training and awareness as vital concepts in the ethics debate for ethical behaviour by managers and organisations in an attempt to provide an ethical organisation beneficial to society and humanity.

The chapter will end with an examination of the aftermath of unethical behaviour, which is distress in the banking industry.

2.1.0 Introduction

In the primitive era, trade was done by barter, where goods were exchanged for goods. Gradually, civilization set in and shells, precious stones and metals like copper, tin, silver and gold were used as money. These replaced trade by barter, which was very cumbersome and lacked a unit of measurement for the items being traded. The business of banking developed gradually when people deposited their gold with goldsmiths. This was based on trust and confidence that the goldsmiths could return the gold or its equivalent on demand. It was apparent therefore that the goldsmiths must not only be honest but must pay the depositors their gold as agreed. The goldsmiths normally issued receipts for the gold deposited with them in exchange for the gold. Eventually, the depositors in possession of these receipts found out that it was easier to exchange them for goods and services.

Thus, the goldsmith's receipts more or less served as bank notes. Moreover, the goldsmiths discovered that all the gold held by them would not be required at the same time by their owners. They were therefore, able to lend out some of the gold held on behalf of their clients. The eventual evolution is today's modern bank where specialized banking services are provided to customers.

2.1.1 History of Banking in Nigeria

Nigeria was a barter economy prior to the 18th century when the Portuguese merchants invaded the West African Coast. The Arabs also carried out Trans African Trade from North Africa to the ancient city of Kano and its environs. With the colonization of Nigeria by the British Colonial Administration, British silver coins were introduced as a medium of exchange. The British Colonial Administration ensured the acceptability of the British silver coins and the metamorphosis of modern banking in Nigeria in order to provide modern banking services to the British Colonial Administration and the expatriate merchants. The introduction of the silver coins facilitated trade/commercial activities in Nigeria and set the stage for the banking and payment system in the country.

The African Banking Corporation was the first bank to be established in Nigeria in 1892. The Bank of British West Africa (BBWA) later took it over in 1894. The Bank of British West Africa (BBWA) is now First Bank of Nigeria PLC. The Barclays Bank Dominion, Colonial and Oversees followed in 1917.This bank is now the Union bank of Nigeria PLC. These two were expatriate banks. The first indigenous bank to be established in Nigeria was the National Bank of Nigeria, which was established in 1933. The British and French Bank was established in 1949. It is now the United Bank for Africa PLC. Many other banks were later established in the country to provide banking services in Nigeria.

2.1.2 The Free Banking Era in Nigeria

This period was between 1892 when the first bank was established and 1952 when the first banking legislation was enacted in Nigeria. Thus, for about sixty years, the banking environment in Nigeria was unregulated. Even when the banking legislation was enacted, section 2 (1) of the 1952 Companies Ordinance simply prohibited the formation of a banking company or partnership consisting of more than ten persons for the purpose of carrying on the business of banking unless it registered as a company. Once this was done, the only other restriction was the restriction under the Stamp Duties Ordinance that prohibited the issue of Bank Notes.

There was therefore a period of banking boom in Nigeria when virtually anybody could set up a bank. Nwankwo (1980:47) points out that“ between 1947 and 1952, a total of 185 banking companies were registered in Nigeria”. He further reports that this must have caused some concern in official circles; and added to the actual and potential threat to the public of mushroom banking. This anxiety led to the establishment of the Paton Commission of Inquiry in 1948 to “investigate banking conditions in the country and to stipulate conditions for healthy banking operations." The Paton report led to the enactment of the first ever banking legislation in Nigeria through what was known as the Banking Ordinance of 1952. This means that prior to 1952, the Nigerian banking landscape was unregulated and this has been identified as one of the principal reasons for the banking distress in the country.

But even at that, there was no Central Bank in Nigeria and payment for a banking licence had to be made to the Finance Secretary. Agitations for the establishment of a Central Bank became rife and the British Colonial Administration appointed Mr. Fisher of the Bank of England to inquire into" the desirability and practicability of establishing a central bank in Nigeria as an instrument for promoting the economic development of the country". His report was negative.

Mr. J.B. Loynes, also of Bank of England was engaged to make recommendations on "the establishment of a Nigerian central bank, the introduction of a Nigerian currency and other associated matters". His recommendations led to the establishment of the Central Bank of Nigeria in 1958 by the Central Bank Ordinance of 1958. Section 4 of the 1958 Ordinance spelt out the principal objectives of the Bank as follows:

1. To issue legal tender currency in Nigeria;
2. To maintain external reserves in order to safeguard the international value of the currency;
3. To promote monetary stability and sound financial structure in Nigeria; and
4. To act as a banker and financial adviser to the Federal Government.

In spite of the legislation, many problems became manifest right from the early days of banking in Nigeria. Nwankwo (1980) identifies some of these problems to include poor services and long queues at banks to get attention, lack of efficient communication infrastructure for money transfer, staff irregularities ranging from a small cash shortage to large and complicated frauds, understaffing and inexperienced staff, and poor bank management. These problems created the environment for the bank failures in the 1950's.

Banking is generally a service and falls within the service industry. Banking services provided by banks include but are not limited to the following:

i) Current Accounts;

ii) Savings Accounts;

iii) Time Deposit Accounts;

iv) Cashing Credit Facilities;

v) Foreign Currency Domiciliary Accounts;

vi) Agricultural Lending Schemes;

vii) Bankers Acceptances;

viii) Bill Discounting;

ix) Correspondence Bank to Community Banks;

x) Correspondence Bank to Foreign Banks;

xi) Credit Information Services and Trade Enquiries;

xii) Equipment Leasing;

xiii) Export Documentation and Finance;

xiv) Funds Transfer Within Nigeria;

xv) Funds transfer Outside Nigeria;

xvi) Letters of Credit;

xvii) Loans and Overdrafts;

xviii) Night Safes;

xix) Safe Custody Services;

xx) Tenor Bills;

xxi) Sale and Exchange of Travellers Cheques and Foreign Monies;

xxii) Registrar of Companies;

xxiii) Trustees Services;

xxiv) Inter-Bank Training Services;

xxv) Loan Syndications;

xxvi) Cheque Guarantee Services; and

xxvii) Treasury Bills.

Thus, in the course of providing these banking services, certain relationships must develop between the banks and their customers. The main trusts of these relationships are trust, confidence and transparency.

2.1.3 Bank/Customer Relationships

Pond and Lipscombe (2001:120) indicate that there are five types of legal relationships between banks and customers:

a) Debtor/creditor.

When a customer opens account and deposits money with the bank, the bank becomes a debtor to the customer while the customer becomes the creditor. Similarly, when the customer takes a loan from the bank the customer becomes the debtor and the bank the creditor. This is the principle of debtor / creditor relationship. At each moment, one party is a debtor while the other is a creditor and this depends on which party has taken credit from the other. The debtor / creditor relationship will therefore continue to exist as long as banks and customers exist. The relationship should therefore be ethical, cordial, and beneficial to both parties.

b) Principal/agent.

The principal/agent relationship is established when a customer gives instructions to a bank to carry out certain transactions on the customer's behalf. Such instructions may vary from customer to customer but normally fall within the functions of the bank. Instructions to pay cheques to a third party or collect cheques and cash from a third party are typical examples.

c) Bailor / bailee.

A bank becomes a bailor when it accepts items for safe custody in the form of deeds or security items from a customer who becomes the bailee. This form of relationship carries with it certain obligations and requires the bailor to take great care and diligence over the items held in trust as if the items belong to the bailor. The items deposited must be returned to the bailee in perfect condition without any loss or damage.

d) Mortgagor/mortgagee.

When the customer borrows money from a bank either in the form of a loan or overdraft, the bank may request the customer to provide security for the facility. The customer may therefore mortgage property to the bank as security for a facility and become the mortgagor while the bank becomes the mortgagee. In this way the mortgagor /mortgagee relationship is fashioned. Each party has legal rights and duties to each other.

e) When a customer asks the bank for advice, the advice must be given promptly and professionally. This special/ or fiduciary relationship, where the customer has come to rely on the bank requires the bank to exercise diligence, as the bank owes the customer the duty of utmost care and good faith. There should be no negligence whatsoever in handling customer's instructions. It also follows that there should not be any form of misrepresentation to the customer by any act of omission or commission.

2.1.4 Duties to Customers

The relationship between banks and customers has many duties, which banks have to perform for their customers. These include: honouring their cheques up to the credit balances or agreed and approved overdraft limit, provided they are in order and there is no stop; secrecy- but with the four exceptions outlined in the Tournier case: where disclosure is under compulsion of law, where there is a duty to the public to disclose, where the interests of the bank require disclosure, and where there is express or implied consent of the customer to disclose; consistency and adherence to the usual course of business; to give reasonable notice to close an account in credit; to provide an accurate statement within a reasonable time; to receive money and cheques for collection and credit customers' accounts with them; to repay credit balances on demand but only after customer has made demand in writing during business hours at the branch where the account is kept; to advise a customer immediately if it suspects his/her cheques are being forged; to exercise proper care and diligence, especially with cheques; to pay cheques backed up by a cheque card; to exercise care when giving advice.

2.1.5 Duties to the Bank

Since the relationship between the bank and the customers is mutual, the customers also have certain duties to the bank. These duties include: to take reasonable care when writing and issuing cheques; to advise the bank immediately and promptly when they discover that their cheques have been forged; to use cheque cards or cash cards only in accordance with the conditions approved by the bank; to demand repayment of a credit balance only in writing during business hours at the branch where the account is maintained; to ensure that there are sufficient funds available to meet cheques before they are issued; to pay reasonable interest and commissions to the bank for the facilities and services provided for the customer; to allow the bank to use the deposits as it desires in its business.

2.2.0 The Nature of Banking

It can be seen from the banker / customer relationship and the duties each party has for the other that certain risks are inherent in banking. The nature of banking is therefore generally that of risk taking and risk management.

Nwanko (1991:1) highlights such risks as:

(1) The risk of deposit taking and paying high interest rates on such deposits and managing adequate liquidity to repay customers on demand.

(2) The risk of lending at low interest rates to borrowers who want cheap loans.

(3) The risk of not satisfying the owners of the bank (shareholders) who want maximum return on their investment in the form of dividend.

(4) The risk of earning sanctions from the Monetary Authorities who regulate banking activities to ensure that banks act prudently. This is to ensure that banks do not take unnecessary risks and jeopardize the deposits of customers.

(5) Banking takes place within a community and it is expected that the bank will operate as a responsible corporate entity. It has duties and obligations to the

community by ensuring that its operations do not endanger the community and the environment.

In the process of performing these duties in order to satisfy the banker/customer relationships, as well as the expectations of the stakeholders, banks are confronted with a lot of ethical and professional issues and problems. It is in the light of this that professional bodies formulate codes of ethics for their members in order to guide them on what the profession and the community expects from them.

2.3.1 Meaning of Ethics

The Encyclopaedia Britannica states "ethics, also called *moral philosophy* the discipline concerned with what is morally good and bad, right and wrong. The term is also applied to any system or theory of moral values or principles. <http://www.britannica.com/eb/article-9106054>.

Ethics is the branch of philosophy that studies morals and value. Ethics studies the difference between right and wrong, and through these studies philosophers have developed several theories. http://www.questia.com/popularSearches/ethics.jsp

Wikipedia – the free encyclopaedia- defines ethics as "the branch of **axiology-**one of the four major branches of **philosophy**, alongside **metaphysics**, **epistemology**, and **logic**- which attempts to understand the nature of **morality;** to define that which is right from that which is wrong. The western tradition of ethics is sometimes called moral philosophy."

"Ethics refer to standards of conduct, standards that indicate how one should behave on moral duties and virtues, which themselves are derived from principles of right and wrong. In order to apply this definition to practical decision-making it is necessary to specify the nature of the moral obligation considered intrinsic to ethical behaviour." (http://sun.menloscool.org~sportman/ethics/definition.ttml).

Ethics can also be defined as “a collective attempt through the use of reason, objective evidence and experience to make sense of our social and individual experience in such a way as (a) to determine the principles and rules which ought to govern human conduct, (b) to determine the values worth pursuing in life, and (c) to determine the rightness and wrongness of certain actions and the goodness and badness of motives and ends of such actions.” (http://faculty.philau.edu/kleinbchr/1383_evil-and_good.htm.)

For ages, ethics has been primarily concerned with determining what things are good or bad and what acts are right or wrong (Wellman 1961:2).

“Ethics is the branch of philosophy that studies morals and values.

Ethics studies the differences between right and wrong”. (http://www.questia.com/popularSearches/ethics.jsp).

Ethics is defined as “Reason, using good judgement and considering how to reach optimum survival; “optimum survival” translates to daily language as “successful living” in a broad sense. Ethics consists of rationality toward the highest level of survival for the individual, the group, the future race, and mankind and other parts of existence taken collectively. When you succeed and all life around you succeed as well, you are doing something awfully right. The highest ethics level would be long-term survival concepts with minimum destruction. Ethics is a general term for what is often described as the “science of morality.” In philosophy, ethical behaviour is that which is “good”. http://www.LaborLawTalk.Com

The Columbia Encyclopaedia 2000:15778 defines ethics in the following way “Ethics in philosophy is the study and evaluation of human conduct in the light of moral principles. Moral principles may be viewed either as the standard of conduct that individuals have constructed for themselves or as the body of obligations and duties that a particular society requires of its members”.

The Webster Dictionary defines ethics as “The science of human duty; the body of rules of duty drawn from this science; a particular system of principles and rules concerting duty, whether true or false; rules of practice in respect to a single class of human actions; as political or social ethics; medical ethics.”

Banks cannot therefore afford to behave unethically as such will lead to social and economic loss and create unnecessary friction in the economy.

Rue and Byars (2000:108) on the other hand state, “Ethics are principles of conduct used to govern the decision-making and behaviour of an individual or a group of individuals.” They further indicate that because management is concerned with making decisions within an organization, the ethics of the individual or group making these decisions have significant implications for the organization’s stakeholders: employees, customers, shareholders, suppliers, the government, and the public at large.

Thus, Guy (1990:6) states “ethics refers to standards by which individuals evaluate their own conduct and the conduct of others”. The majority of the ethical and indeed unethical decisions that people make and often take at home, at work or at any point depends on the kind of ethical orientation they had in life which enables them to distinguish what is good or bad and what is right or wrong.

Another author, Schminke (1998:116) states that ethics can be defined “as the systematic, descriptive and normative study of moral awareness, judgment, character, and conduct at all levels of individual and collective activity”.

Guy (1990:5) on the other hand explains, “Values are beliefs about what is fundamentally desirable. They underlie the choices made in work decisions just as the choices made in one’s private life. They give rise to ideals called ethics or morals. Ethics and morals are synonymous. Ethics is derived from Greek while morals are derived from Latin. They are identical terms referring to ideals of character and conduct. These ideals, in the form of codes of conduct, furnish criteria for distinguishing between right and wrong”. Ethics is therefore the same thing as morality and they shape our conduct and behaviour right from childhood through adolescence and adulthood. In every aspect of life our conduct and behaviour is guided by what we were taught to be right or wrong.

Thus, Heermance (1924:1) states that ‘practices are ethical if, in the long run, they make for the well being of the human species and for normal human relations. If there is friction, and social loss, it is a sign of unethical conditions. Each profession or trade has its own problem of ethics. The conduct of members must be judged by its consequences, to the group itself and to the community. In the course of time there is likely to develop a certain standard of practice'.

Based on the definitions above, it is clear that banks must operate ethically whether they have ethical codes to guide their conduct or not. This is because duty demands that high ethical standards are required for banks to earn the confidence of depositors and the general public due to the fiduciary function, which banks perform.

2.3.2 Ethical Theory

Ethics is traditionally divided into three fields: Meta-ethics, Normative ethics and Applied ethics.

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2.3.3 Banking and Business Ethics

Business Ethics is defined as "the study of standards which businesses should observe in their dealings, over and above compliance with the law."
(http://www.lse.co.uk/financeglossary.asp?search
term=&ID=2420&definitionfiltered=business.

Section 61 of Banks and Other Financial Institutions Act, 1991 (BOFIA) defines Banking Business in Nigeria as "the business of receiving deposits on current account, deposit account or other similar accounts, paying or collecting cheques drawn by or paid in by customers, provision of finance or such other business as the Governor of Central Bank of Nigeria (CBN) may, by order published in the Gazette, designate as banking business". However, with the introduction of Universal Banking, the Central Bank of Nigeria issued guidelines to Banks and redefined Banking Business in Nigeria as "The business of receiving deposits on current, savings or other accounts; paying or collecting cheques drawn or paid in by customers; provision of finance, consultancy and advisory services relating to corporate and investment matters; making or management of investment on behalf of any person; and the provision of insurance marketing services and capital market business or such other services as the Governor of the Central Bank of Nigeria may, by gazette, designate as banking business" Banking is therefore a business like any other type of business, which is essentially to operate as a going concern and make profit for the owners (stakeholders) and for expansion. The business of banking however transcends beyond profit making due to the crucial role banks occupy in the economy of financial intermediation and custodian of private and public assets. Thus, there are certain business ethics, which banks must imbibe in order to portray them as ethical, sound, safe and reliable organizations.

The Columbia Encyclopaedia (7600) defines business ethics as “the study and evaluation of decision making by businesses according to moral concepts and judgements. Ethical questions range from practical, narrowly defined issues, such as a company’s obligation to be honest with customers, to broader social and philosophical questions, such as a company’s responsibility to preserve the environment and protect employee rights. Many ethical conflicts develop from conflicts between the differing interests of the company owners and their workers, customers, and surrounding community. Managers must balance the ideal against the practical – the need to produce a reasonable profit for the company’s shareholders with honesty in business practices, safety in the workplace, and larger environmental and social issues. Ethical issues in business have become more complicated because of the global and diversified nature of many large corporations and because of the complexity of government regulations that define the limits of criminal behaviour”.

Adewunmi (1998:156) points out that prior to the introduction and adoption of a Code of Ethics in the banking industry in Nigeria, the General Assembly of Bank Chief Executives had developed the General Standards expected of bankers and banking institutions in Nigeria. The purpose was to ensure the highest level of adherence to good banking practice and a strong commitment to high ethical standards in the banker-customer relationship. But do banks stick to these ideals? Why have banks deviated from the ethical expectations? What is responsible for the unethical practices in banks worldwide and Nigerian banks in particular?

Francis (2000:178) states “ The purpose of business is to make money, if it does not it will have failed its primary aim. If it does make money, but does it in an unethical fashion, it will be in breach of our social system, which permits and fosters its commercial activity. It is the aim of teaching ethics to constantly make the point that the purpose of business is to make money, and to make it with honour.” Based on these precepts, it is clear that unethical business deals especially in a bank can be harmful to the bank, to the depositors, to other banks, and to the banking public at large which, cannot be acceptable. Solomon (1999:123) therefore argues that thinking in terms of “making money” and “the market”, devoid of any larger sense of obligation or ethics, never made any country or culture “great.” “Indeed, such crude self-interest thinking is what marks countries and culture for destruction”. Hunkin (2002) also notes that “unethical behaviour can promise many things: survival, a solution to conflict or punishment, the opportunity to exploit or flatter, and self-enrichment. In business, its impact on both the innocent and the guilty, and on social trust is profound." Have Nigerian banks then abandoned ethics in the pursuit of profits? What is responsible for the distress syndrome in the banking industry in Nigeria? How can the industry regain its lost glory and restore public confidence in its operations by averting bank failures and liquidations? Why is everybody interested in the banking industry? Competition and the struggle for customers and profits are not sufficient to justify unethical practices in the banking industry. Ethical training, ethical orientation and ethical awareness must be give proper attention if Nigerian banks are to be seen as ethical corporations with ethical values attractive to customers, depositors and investors.

Francis (2000:4) writes that the interest in business ethics may be related to recessions, and their likelihood, and also to recent changes in the law. An understanding of business ethics also necessitates an appreciation of some legal concepts such as duty of care, safety, harassment and issues of privacy and freedom of information. All these are aimed at preventing unpleasant situations, which in the first place could have been avoided. In like manner, our interest in ethics in the banking industry is related to the distress syndrome, which has led to many bank failures and liquidations. Our interest is to ensure that such failures are prevented and not repeated and the only way out is for banks to be ethical in all they do regardless of how tough the competition may be.

Solomon (1999:13) points out that among the most damaging legends in business talk are those concepts of "survival of the fittest" and "it's a jungle out there." The basic idea, of course, is that life is competitive whether in business or indeed in any other sphere. No one should expect less as life isn't always fair. It is also true that business is and must be competitive at all times, but it is not true that it has to be cutthroat or cannibalistic or that "one does whatever it takes to survive." Business must be done with a sense of honour and decorum and managers, especially of banks must behave ethically and maintain the integrity of the banking profession. That is why McDowell (1991) points put that to maintain a high ethics company, every manager should:

- Behave ethically them-selves.
- Screen potential employees.
- Have a meaningful code of ethics.
- Implement ethics awareness training.
- Reinforce ethical behaviour.
- Create a structure to deal with ethical issues.

By behaving ethically, managers are creating a culture for corporate governance based on best practices and acceptable international standards. As Sanusi (2003) points out, "it has become a worldwide saying that the quality of corporate governance makes an important difference to the soundness and unsoundness of banks. Corporate governance refers to the degree to which companies are run in an open and honest manner. Thus, effective corporate governance practice incorporates transparency, openness, accurate reporting and compliance with statutory regulations, among others". Based on the foregoing, Francis (2000:9) states that "corporate governance, as a term; include efficient decision making, appropriate resource allocation, strategic planning, and so on. Corporate governance has also come to be seen, as promoting an ethical climate that is both morally appropriate in itself, and consequently appropriate in that ethical behaviour in business is reflected in desirable commercial outcomes. Here he points out "the links are with due diligence, directors' duties, and the appropriate general tightening of corporate responsibility". Corporate responsibility requires that the firm or organization maintain high ethical values and practices them from the top management down the line.

A new study of 60 high profile European business failures by researchers at the University of Maastricht and RMS Erasmus University in Rotterdam finds that while 63 percent of those businesses failed for reasons "related to economic problems and the risk of entrepreneurship, "a surprisingly large number-37 percent collapsed due to "fraudulent or unethical behaviour by company managers and employees.".

2.3.4 Ethical Values and Expectations

Every organization has a culture and thus some ethical values, beliefs and expectations.

McDowell (1991:31) shows that there are certain virtues that would identify the internal professional character that is the foundation of the ethical practitioner. These are competence, fidelity and honesty. There is no ethical professional position that encourages deception of the clients, fellow professionals, or those persons trusting the professional. That is why Guy (1990:14-17) identifies ten ethical values as follows: Caring, Honesty, Accountability, Promise Keeping, Pursuit of Excellence, Loyalty, Fairness, Integrity, Respect for Others, and Responsible Citizenship. These ten values are the core of ethical standards that have survived the ages. These values have been widely documented as virtues that provide benchmarks for ethical decision-making. Guy (1990:100) further emphasizes that "an ethical culture is one in which core values are recognized and readily discussed in the context of the organization's actions and yet in the midst of these values is the suppleness and practicality to understand that, at any given time, some values must be minimized in order to maximize others". Thus, employees should be at liberty to discuss and ask questions about the ethical prescription provided by Guy and expect answers to those questions.

McDowell (1991:27) states that there are several justifications for ethics. “First, it is often violated, which indicates that the spirit of the commitment, as distinguished from its letter, may not always be understood or accepted. Another reason is to determine the strength of the commitment. Is it a powerful and primary duty, or merely subsidiary and not have great importance? Finally, if we decide that the degree of deviation from the standard is greater than can be tolerated, a clear understanding of the purpose for the ethical instruction will help in selecting strategies to enhance compliance”.

Thus, the degree of deviation from ethical practices by Nigerian banks informed the constitution of the Bankers Committee to embark on the sanitization exercise of the banking industry in Nigeria by ensuring that all banks and their staff are fully aware of the Code of Ethics in the industry. Nigerian bankers must show strong commitment to ethics and ethical practices and accept this position as one of the cardinal principles upon which their banks are built and sustained. This commitment should be strong and alive in the management and all other employees of the organization

McDowell (1991:31) further states that there are three levels of occupational activity that call for different strengths of the commitment not only to maintain high ethical conduct, but its appearance as well. These are the judge, the guardian of an incompetent person and the fiduciary, such as a trustee, to whom the property of another is entrusted for safekeeping. These individuals are expected to be selfless in the performance of their duties and to protect the welfare of the others for whom and to whom they are responsible. In addition, they must be seen to be selfless. Banks fall within the third category not only as fiduciary institutions but also as institutions for financial intermediation. As trustees for private and public funds, banks must as a matter of necessity and expectation, imbibe ethical values in their operations and conduct. This is the only way in which banks can provide a safe and sound banking environment attractive to customers, depositors and investors both locally and internationally as the profit motive is necessary but not sufficient to warrant a bank engage in unethical deals.

As Francis (2000:15) argues, the twin issues of profit and responsibility affecting commerce are commonly seen to be opposed but this is not so as they have much more in common than in opposition. He further states that ethical behaviour and long-term profit are essential companions because:

- “Corporations with a good reputation do benefit by having fewer problems recruiting and retaining good staff; they do not lose their best people to competitors.

- In the marketplace, repeat business results from a reputation for fair-trading and saves on advertising.

- Companies with a genuine commitment to ethical policies prevent most of the problems that commonly beset annual general meetings.

- Organizations with ethical commitment largely avoid the problems that happen to shadier organizations.

- A well-regarded organization should have fewer problems with raising venture capital, drops in share price, loss of market share, or any of the conventional indicators of unsuccessful commercial activity.

- Finally, if a problem were to occur, the evidence of ethical commitment by an organization could act as a substantial defence against accusations, justified or otherwise, were a case to go to court, as is evident in some court judgments in which good intent is mentioned.

- Some empirical studies examine the connection between being ethical and being profitable. Two Canadian studies, for example, show that connection. One study used a rating system and found that the companies with the highest score on social responsibility over the long term also made the most money. A later study found a correlation between responsible performance and long-term profit".

Research has therefore shown that an ethical company, especially a bank, can have its cake and eat it. This is because it makes business sense to be both ethical and profitable. When a bank is ethical, customers will have a lot of confidence to do business with it. The bank will be able to attract huge deposits and have the financial muscle to finance and undertake large projects. Thus, when unethical banks and organizations are crumbling, the ethical ones will be growing and consolidating to become bigger and better corporate conglomerates.

McDowell (1991:104) argues that the problem facing the professional, however, is not so much knowing what is ethical, but in applying it in areas of intricate and hard professional judgments. The actual doubts of the professional may be in taking ethical decisions in answer to a series of connected questions, like: "Did I act ethically? Did I have all the relevant information? Did I get the technical judgment right? Was the service really necessary? Was it what the client genuinely wanted?" This requires thorough ethics training so that professionals can handle complex ethical problems and circumstances.

McDowell (1991:106) however states that whatever is the ethical expectation from the professionals, the professionals, as human beings are bound to make mistakes. He distinguishes three types:

(1) "The first is that minimum number of mistakes that even the most conscientious and competent professionals will make just because they are human, rather than divine or omnipotent.

(2) The second is mistakes that occur in taking reasonable chances or risks that may be necessary and provide the sort of experience from which learning and progress are likely to come.

(3) The third type is careless and avoidable mistakes that normal care and competence would have prevented. The way we state our ethical obligations should tolerate the first, encourage the second, and severely discourage the third".

That is why all banks should promote ethics training and ethical awareness vigorously to ensure that all their employees adhere to their code of professional ethics and encourage ethical practices. Proper ethics training is required for all Nigerian bankers.

2.3.5 Ethics Training and Ethical Awareness

Ethics training and ethical awareness are veritable tools needed by the professional banker to effectively perform the fiduciary duty expected from bankers. The professional banker is therefore required to undergo proper ethics training in order to handle complex problems. It is also necessary to be fully aware of what constitutes ethical and unethical practices so that the banker can discern unethical dilemmas and problems when they arise in the ordinary course of business dealings with customers. Francis (2000:175) indicates that the aim of teaching ethics is, "among other things, to sensitise students and practitioners to the scope of ethical values, and to the way which they permeate all-professional activity". West et al (1998:1) agree that ethics training is one of several approaches that help promote ethical behaviour by managers and employees. "Ethics training increases attention to ethical issues and conducts and provides a forum for the dissemination and discussion of new laws and standards of conduct. Other strategies for increasing ethical conduct are exemplary moral leadership by managers and rigorous enforcement of ethics laws and standards of conduct". Francis (2000:182) postulates that ethical awareness training programs may vary from company to company. Nevertheless, it is important that the following objectives are borne in mind: "It should promote and support the organizations' values and standards, make managers more aware of the ethical dimensions of their business decisions and conduct, re-educate staff in the organization's ethical policies, strengthen the ability of the staff to apply the organization's ethics, and provide a forum for managers to identify ethical issues and areas of vulnerability".

Francis (2000:186) therefore recommends that any course on ethics should cover at least the following as part of the curricula:

a) The background to ethics;

b) Key issues (principles) in business ethics;

c) International covenants and legal requirements;

d) The relevant professional code;

e) Other relevant professional and public service codes;

f) How to identify and resolve ethical disputes.

He also advises that among the questions to be addressed in training are those listed below:

a) What do business people do that is ethical, and how can this be reinforced?

b) What do business people do that is unethical, and how can this be corrected?

c) What do business people believe about how they should behave, and is this a legitimate part of an ethics course?

d) What is the “ethical reasoning process” by which business decisions are made?

There are many benefits to be derived from ethics training for organizations, managers, and the individual employees. West et al (1998:7) state that managers who take ethics training seriously will achieve many benefits because they will:

1) “Increase legal protection for the actions of the organization and its members.

2) Improve the ethical climate, which will enhance the performance and productivity of employees and their willingness to support such values as efficiency, effectiveness, quality, fairness, and teamwork.

3) Accomplish goals for organizational diversity.

4) Facilitate the implementation of cultural change, as in empowerment efforts.

5) Enhance trust through a more open communication system".

Sims (1994:12) points out that for a number of years, there have been debate and controversy about whether ethics can and should be taught (or learned). "One school of thought argues that ethics is personal, already embedded within the individual and, hence, not alterable or teachable. On the other hand, the other school of thought assumes that instruction in business ethics should be made a part of an organization's employee training efforts". He further argues that "whether one agrees with one or the other school, ethics training has been identified as an important component in countering unethical behaviour in organizations, and more and more organizations are now conducting their own ethics training for employees, sending them to public seminars, or contracting with ethics training specialists for tailored course".

Ethics training is also supposed to convey to employees that the organization is committed to ethical business conduct by raising their awareness of ethical issues that may arise in the workplace through skills acquisition on how to tackle ethical situations. It serves as an avenue to supply employees with information and take further steps to clarify questions relating to ethical issues. In this way, ethics is reinforced.

Francis (2000:15) believes that business ethics, like education, may seem costly, but not as expensive as the alternative since profit at any price is no longer an acceptable edict. It is interesting to note that many business people have the idea that ethics is admirable, but a luxury that is contrary to corporate objectives. It is also believed to be something that is an intrusion into serious business actions, and that it is difficult to implement and maintain.

This Researcher strongly believes that ethics can be taught and learned and should therefore form part of the professional training of all bankers and all bank workers.

Sims (1994:164) also provides that "training is an important vehicle for helping organizations institutionalise ethics and encourage employees to act ethically". But, "Rather than being strictly compliance oriented, the goals of effective training should be to:

(1) Increase awareness of ethical consequences of business decisions, that is, among other things, to train employees to recognize and focus on ethical problems, to develop and refine appropriate methods of moral reasoning, and to be sensitive to the nuances and ambiguity of ethical situations.

(2) Develop an understanding of decision models that encourage employees (and particularly managers) to see their responsibility to make a commitment to the highest standards of honour and personal integrity, to appreciate the ethical dimension in decision making (just as they appreciate the financial and management dimensions, for example), and to accept the multiple and sometimes conflicting responsibilities of working on organizations.

(3) Integrate relevant cases and vignettes that reinforce the organization's code.

(4) Encourage critical evaluation of value priorities.

(5) Increase awareness of societal realities.

(6) Improve understanding of the importance of public image and public/society relations.

(7) Bring about a greater degree of fairness and honesty in the workplace.

(8) Respond more completely to the organization's social responsibility".

These views have been supported by West et al (1998:4) who state, "ethics training must be tied to the legal, behavioural and policy needs of the organizations and their members. Without clear connections, ethics becomes yet another activity that, while fashionable in many quarters, is expendable in others". For this reason, all professionals must undergo ethics training and develop the ethical awareness needed for the performance of their profession. Schminke (1998:123) states that the first organizational ethics process is awareness, the second is judgment, and the third is motivation.

2.3.6 Professional Codes of Ethics

Baker (1999) reports that Thomas Percival (1740-1804) of Manchester, England, first proposed a code of ethics for Physicians and Surgeons in 1794. This was enlarged in 1803 using such expressions as professional ethics and medical ethics. This proposal coincided with a code of medical ethics in America where the Boston Medical Society also had such a code by 1808. Since then, codes have gradually supplanted the ethics of honour and today, “a formal code of ethics is the hallmark of professionalism for professional everywhere.”

Codes of ethics are sometimes seen as controversial documents. Some believe that codes are useful and important while others argue that codes of ethics serve no good purpose whatever. Most Codes of Ethics in the banking industry worldwide try to cover important and fundamental aspects of principles and professionalism for their members. The Irish Bankers’ Federation (IBF) has general principles as Integrity, Confidentiality, Professionalism and Compliance. The Code of Ethics of the Australasian Institute of Banking & Finance (AIBF) touches on Abiding by the Law, Integrity of Records, Free Competition, Misappropriations, Conflict of Interest, Customer Privacy and Employer Information, Insider information, Improper Payments, Gifts, Entertainment and Social responsibility. The Code of Ethics & Professionalism in the Banking and Finance Industry in Nigeria on the other hand covers areas like Conflict of Interests, Abuse of Trust/Office, Full Disclosure, Misuse of Information, Insider Abuse, Offer and Acceptance of Gratification, Non-conformity with Standards and Guidelines, Association with Doubtful Persons, and Aiding and Abetting Improper Employment.

McDowell (1991:33) states that the formal code adopted by the various professions may be viewed from a number of different, sometimes critical perspectives.

- “One way is to see the codes as catalogues of ethical problems identified by either the profession or client complaints.
- Another is to view a code as a codification and a formal adoption of ethical attitudes and practices that evolve over time.
- A code could also be thought of as a public relations document, drafted by the profession to persuade the public that its members are in fact ethical.
- The code may be viewed as an instrument of monopoly and control designed to exclude from the area of professional activity all who do not subscribe to the code.
- It may be viewed as a set of rules, compliance with which makes the professional ethical.
- It can be considered to be just what it purports to be, a code of ethics setting forth the expectations of behaviour by which the professional will be judged by clients, by fellow professionals, and by the public”.

The Code of ethics in the Banking and Finance Industry in Nigeria can be described to fall under item 5, which makes compliance mandatory, as appropriate sanctions would apply for non-compliance with the Code.

The Ethics Resource Centre (2003) has pointed out that codes of ethics should not only be developed but that the development of a code of ethics is just the beginning of an general procedure of meeting the needs for the effectual communication of organizational ethics benchmark. The communication strategy should have four objectives:

i) "Ensure that every employee receives a copy of, or has ready access to, the code;

ii) Ensure that every employee understands a personal responsibility to abide by the provisions and standards laid out in the code;

iii) Ensure that the organisation's commitment to the code is unambiguous and clear to every employee; and

iv) Ensure that employees are exposed to abundant examples of the code's utility, and how common questions about its intent and application have been resolved." http:// www.ethics.org/resources/article_datail.cfm?ID=840

Francis (2000:175) states that "one cannot breach a code that does not exist; thus the provision of a code is an assurance that the ethical precepts are made explicit. Furthermore, the development of this code has the additional merit of being preceded by serious discussions, which, in turn, improve understanding and commitment to the principles that have been agreed". It was therefore imperative for the banking industry in Nigeria to have a code of ethics for its members so that all Nigerian bankers would know explicitly what is ethical and what is not. Like Francis said, one cannot breach a code that does not exist. The codification of ethical expectations or the prescription of unethical practices was therefore necessary to bring about ethical awareness amongst Nigerian bankers as well as provide guidance in cases of complex situations. This will also assist in redeeming the image of Nigerian bankers, which has been badly battered in the public opinion.

Mount (1990:27) writes that "many treatments of professional ethics today focus on the standards of behaviour expected of people with particular professional roles and responsibilities or on specific ethical quandaries they face as individuals". Kultgen (1988:211) collaborates this view by saying that "the ostensible function of codes is moral. That is, their apparent aim is to raise the level of professional practices. They employ the rhetoric of morality and appeal to conscience”.

Kultgen (1988:212) states that codes contribute to the professional project in two ways:

a) “The professional ideology maintains that every genuine profession has an ethic. An occupation’s code conveys the impression that this is true for it and hence it is a profession.

b) Second, the code formulates what leaders of the profession would have the public think its operative ethic is. This is intended to instil trust in its actual practices”.

He further states, “The code should be simple and reasonable to a wide audience. This is because codes are instruments for persuasion both of members of the profession and the public. They enhance the sense of community among members, of belonging to a group with common values and common mission. There is an argument that ethics should be understood by insinuation; that an intuitive understanding is superior to a formal code”. Francis (2000:177) indicates, “The difficulty with this position is that it fails to give precise account of the principles, and thereby denies us the opportunity of rational examination. He advised that codes of ethics might be disseminated through company booklets, annual reports and induction, and training programs”.

The primary advantages of ethics codes according to Francis (200:178) are “to clarify management’s thoughts on what constitutes unethical behaviour; help employees to think about ethical issues before they are confronted with the realities of the situation, provide employees with the opportunity for refusing compliance with unethical action, define the limits of what constitutes acceptable behaviour; and provide a mechanism for communicating managerial policy”. He further provides that “A code of ethics is the most visible sign of a company’s philosophy in the realm of ethical behaviour. In order to be meaningful it must assist in the induction and training of employees; truly state its basic principles and expectations; and realistically focus on potentially ethical dilemmas”. Francis (2000:218) also states “codes are texts that communicate ideas, express attitudes, and direct behaviour. Identification of the functions of a code must be predicated on an understanding of what it says to those affected by it, since their understanding, not the analyst’s produces behaviour and the consequences categorized as functions. A code that means different things to different people can do more harm than good”.

But like Kultgen (1998:216) asks-"What is the value of codification?" He answers as follows: 1."The most obvious function is guidance for those practitioners who have not thought through moral issues. 2.Codification would be otiose if the obligation of professionals were always obvious and could be met without sacrifice, if professionals never faced difficult dilemmas or always did what was right as a matter of course or could handle every question on the basis of common morality.3.A rational code would contain the results individuals would have reached by themselves if they had reasoned objectively long enough on an adequate basis of experience.4.If such a code is available, it relieves professionals of most of the burden of ethical inquiry. After all, their primary responsibility is to heal, counsel, minister, design, etc., and not to puzzle over ethical questions.5.Most in matter of fact do not reflect on ethics until faced with difficult questions, when the pressure of action prevents careful thought. It would simplify their moral universe to have solutions at hand, which had been worked out on the collective experience and wisdom of the moral community".

He goes on to state "not that code of this sort would eliminate the need for personal judgment. Individuals have to see that proposed rules are the ones they would have reached had they pursued the issues. They have to judge how close a proposed code comes to the ideal and where it falls so short that they should fall back on personal conscience. Every code must be treated as a hypothesis to be tested and adapted while following it. Nevertheless, codes are useful as guides. No code can make decisions mechanical, but adherence to tested rules under ordinary circumstances reduces the occasions when one is obligated to think about alternatives and flounder through their problematic consequences".

That is why Heermance (1924:2) argues that the student of ethical codes should keep three things in mind:

1.) "The first is that a code of this character is designed to serve an immediate practical purpose. It is not a statement of general morality. It deals with the customs and ideals, the sins and duties, of a particular group of men. Ethical principles are stated in terms of their daily business experience. The code, which falls short of this, or attempts to go beyond it, is likely to become a series of platitudes. In the majority of the standards cited, the chief interest lies in the way each group is meeting its own ethical problem.

2.) In the second place the code is, with few exceptions, not a law but a creed. As an accepted standard of practice, it may be full of social significance. As a barometer of business life, it is apt to be misleading. How far the general practice conforms to the standard set can be determined only by a close study of each profession or trade. The code is a means of correcting trade evils and meeting professional temptations, by cooperation, definition and the setting of a goal. The chief value of the written standard is moral and educational. The well- intentioned individual finds support through knowing that this is the practice on which the group as a whole has agreed.

3.) The third reminder is that the adoption of a code is not necessarily an indication of a higher ethical standard. In many associations, which have not taken this step, the code of honour and the sense of social responsibility may be as high or higher. A small organization, with a selected membership, is able to enforce discipline. The Committee of Ethics gradually builds up a series of decisions, which serve as a common law for the industry. They may or may not find the formal standard a convenience".

However, McDowell (1991:36) argues, "Professional ethical codes might then be seen as merely formalizing or memorialising this duty. Codes could also restrict or limit the duty. To the extent that an ethical code does not explicitly mention the duty, states it ambiguously, or weakens the injunction, it is always open to those professionals tempted to pursue self-interest rather than the welfare of their clients to make a legalistic argument that literal compliance with the provisions of the code is all that professional ethics requires".

McDowell (1991:) further lists the advantages of ethical codes as follows:

a) "To clarify our thoughts on what constitutes unethical behaviour,

b) To help professionals to think about ethical issues before they are confronted with the realities of the situation,

c) To provide employees with the opportunity for refusing compliance with unethical action,

d) To define the limits of what constitutes acceptable or unacceptable behaviour, and

e) To provide a mechanism for communicating professional ethics policy".

Francis (2000:217) also states "no code can make decisions mechanical, but adherence to tested rules under ordinary circumstances reduces the occasions when one is obligated to think about alternatives and flounder through problematic consequences. Moreover, an ideal code would be a consensual one, rationally valid and accepted by both members of the occupation and the public. If one can convince oneself that the official code of one's profession meets these specifications, one can go about one's business most of the time in conformity with accepted practices. One can be assured that those of others who follow the same code will complement one's efforts. There is a common basis for advice and support".

Nowell-Smith (18) states that "there are a few fundamental rules of conduct that have never changed and probably never will; indeed it is difficult to imagine what life in society would be like if we abandoned them. The more we study moral codes the more we find that they do not differ on major points of principle and that the divergences that exist are due partly to different opinions about empirical facts, for example about the effects of certain types of conduct, and partly to differences in social and economic organizations that make it appropriate to apply the fundamental rules now in one way, now in another".

Nowell-Smith (1954) points out that "it is enough to know the general, unchanging rules; we must also know how to apply them. And it is this reason that moral rules, like the law, cannot be codified all time. He argues that a detailed moral code, a sort of handbook to which we might turn for the answer to every moral problem, cannot help us, because difficulties will always arise about the application of the rules to new cases and because the cases in which the need for practical thinking is particularly acute are just those which are new and those in which we suspect that there is some good reason for breaking the accepted code. The need to think afresh about moral problems is ever present and particularly great in a period of rapid economic and social change and rapid advance in knowledge of human nature".

Kultgen (1988:212) observes that ethical codes are notably missing in business professions other than accountancy. This may be due to the popular conception that business and ethics do not mix. It contributes to perpetuating the prejudice.

2.3.7 Corporate Code of Ethics

All banks are supposed to have corporate codes of ethics to guide their staff of what is expected of them. The code should be made available to each staff right from the point of entry and should form part of the induction process. Sims (1994:204) states, "One of the more pervasive methods for achieving more ethical behaviour is the establishment of a company code of ethics". Wolfsan (2002:8) however explains "the existence of a company code of ethics does not, in and of itself, ensure ethical behaviour on the part of its employees, since codes work to the extent that they reflect and support the corporate culture. Employees learn what is considered acceptable and appropriate conduct by observing the behaviour of top management. This is based on what they do. Do they:

(1) Set high ethical standards?

(2) Behave in very ethical ways?

(3) Sponsor training programs on ethics?

(4) Stress the hiring of ethical people?

(5) Fire people caught doing unethical things?

(6) Identify examples of unethical behaviour?

(7) Develop and communicate ethical codes of conduct?

(8) Stress core values of the organization?

(9) Behave at all times with integrity?

(10) Give the appearance of high ethical conduct?"

Moreover, Sims (1994:204) believes that the following suggestions should be considered by an organization when constructing or revising a code of ethics.

(1) "The code should include an effective date, general statement of policy, and scope of coverage.

(2) Codes of ethics should be reasonably consistent with reality.

(3) A code of ethics should not be in conflict with values of the organization, the top management group, company employees, or its various stakeholders.

(4) A code of ethics should be reasonably consistent internally.

(5) Codes should not be arbitrarily imposed on employees.

(6) Codes should be subject to debate or change, not carved in stone, and periodically updated to reflect changing environmental conditions.

(7) Codes of ethics should be in-depth, in written format, and easily understood (in other words, leave out the lawyer “gobbledygook”).

(8) Codes of ethics should clearly indicate what is expected of both management and employees.

(9) Clear specifications for the implementation and administration of the code should be given.

(10) Procedures for reporting violations need to be clearly specified.

(11) Sanctions or disciplinary actions need to be stated.

(12) Codes of ethics should be enforced and sanctions taken when appropriate”.

Francis (2000:178) provides that actions that might be taken to foster a code are to set out the conditions of reporting on particular ethical cases:(1). A clear code of business ethics should be set up, printed and widely disseminated.2). An ethics committee should be set up to consider issues, and have the debate conducted in a collegial spirit.3). Before any compliant of ethical breach is heard the compliant should be specific and accompanied by evidence.4). No financial disadvantage should be brought to the compliant. 5). Protection in the form of career preservation should be provided.6). An “ethical informers”(whistleblowers) support group should be formed.7). The use of an independent mediator, with relevant expertise, should be considered. 8) An appeal procedure should be devised.

2.3.8 Code of Corporate Governance for Banks

The Bankers’ Committee has issued a Code of Corporate Governance for banks and other Financial Institutions in Nigeria in August 2003. Unegbu (2003) defines corporate governance as “the process and structures by which the business and affairs of an institution are directed and managed in order to improve long term shareholder value by enhancing corporate performance and accountability, while taking into account the interest of other stakeholders”. He also stated that poor corporate governance has been recognized as one of the major factors in almost all known instances of financial sector distress and opined that strong corporate governance should be observed in all financial institutions. Like Hunk in (2002) points out, “in truly great public corporations, passion is tempered by good corporate governance. A constructive dynamic tension exists between the company management and the board governance process. A great board provides checks and balances on management without compromising the possibilities that only real passion can seize. Some companies do not have that dynamic tension, either because passion is absent in its management, or because corporate governance is simply words used to spruce up proxy statements and annual reports. That is why he further pointed out that "corporate governance is not something you drag out and turn on because you are supposed to. It should be energetic, noisy, constant and effective-especially in these times when management is under increased pressure to make their numbers. The Code of Corporate Governance for Banks and other Financial Institutions in Nigeria is shown in appendix 11.

2.4.1 Profession and Professionalism

Professional ethics are the moral standards, principles and regulations that guide the course of professional behaviour. Some examples of professions with established professional ethics include lawyers, doctors, teachers, and advertisers. Professional ethics are both individual and institutional in nature. Professional ethics can be learned during the course of study of the profession. Professional ethics also rely upon one's own personal sense of moral behaviour and judgement. It is essential that professional continue to evaluate and learn about ethical issues in their respective fields, as professional ethics change in the light of new technologies.

McDowell (1991:13) states that profession is a more limited grouping than occupation or employment. He identifies three possible approaches to defining profession:

1.) One is by defining characteristics; that is, listing certain essential characteristics such as the existence of a professional organization, state licensing, professional schools, professional journals, codes of ethics, and relatively high social status for members, and then identifying as professionals those occupations that possess these external characteristics.

2.) A second method is to look at the central or paradigm case. One looks at those occupational groups that are generally recognized in contemporary society as professionals.

3.) Finally, we could regard profession as a functional concept. Professionals have specified expertise that no one else adequately has. They sell that to clients who rely on them. Therefore, persons who do not have the expected expertise and are not trustworthy should not be entitled to "professional" status.

Cottell and Perlin (1990:17) provide that "professions rigidly guard entry. One who seeks admittance must demonstrate understanding of and acceptance of the profession's language game. The knowledge possessed by each profession is a source of power for that profession. Through their publications, meetings, examination syllabi, and other activities, various professional associations have historically played a role in defining and furthering the technical aspects of the profession, deciding who is competent to practice in that profession, and elaborating the discourse carried on by that particular profession".

McDowell (1991:17) further points out that one can aspire to professional status, but achieving it depends on acceptance and admittance by others. This social acceptance proceeds through a series of steps:

(1) Being admitted to a professional school.

(2) Passing the courses, which signifies that adequate competence in various "types and levels" of technical expertise has been attained.

(3) Passing the state certification examination.

(4) Being licensed, and;

(5) Locating or establishing a position of employment or service within the profession.

He further indicates that to qualify as a professional, another factor is more critical. There is an internal dimension, which is acquiring the character of a professional. This is a matter of individual choice and commitment.

The professional character has at least two components:

(1) The first is to master and practice the expertise of the profession to the highest level of competence the individual can manage. The external standards require minimum or adequate competence. The internal standards of a professional aspire to the highest possible level of competence.

(2) The second component is a commitment to use these high levels of competence to serve others. In the first instance, the duty of service runs to the client, but it can run to fellow professionals, to others who stand in some relationship to the client

such as family members or business associates, or even to bystanders, and on occasion to the community as a whole.

Cottell and Perlin (1990:18) also posit that most authorities agree that a profession is characterized by four important elements:

(1) "A specialized body of knowledge taught in a formal and certifiable manner.

(2) A commitment to social purposes (good ones) that justify the profession's existence.

(3) The capacity to regulate itself, often with the sanction of the law for those who violate acceptable norms of behaviour.

(4) Status and prestige of above average ranking in society".

In Nigeria, entry into the banking profession is not strictly restricted but banks are expected to obtain good reference from schoolmasters / previous employers and other reputable individuals in the society before new entrants are offered jobs. However, the Banks and Financial Institutions Act (BOFIA), 1991 Section 43 (4) provides that "Any person whose appointment with a bank has been terminated or who has been dismissed for reason of fraud, dishonesty or conviction for an offence involving dishonesty or fraud shall not be employed by any bank in Nigeria." The import of this restriction is to ensure that persons with bad character and all those involved in dubious activities harmful to the industry and the publics are not given the opportunity to perpetrate their nefarious acts. Denying persons who lack morality and ethics entry into the noble banking profession aims at sanitizing the industry from the outset. This is facilitated by circulating the names of all dismissed / terminated bank staff amongst all the banks in Nigeria by the Central Bank of Nigeria. However, it is difficult, if not impossible to detect fraudsters from the poll of fresh graduates being considered for employment by a bank.

Kultgen (1998:3) asks, " Is it a moral obligation to be as professional as possible in one's work? And is it a mark of professionalism to act morally? Or do professionalism and morality have nothing to do with one another? On the one hand, should one do one's work in a professional manner or does morality sometimes demand unprofessional conduct? Must one ever violate the standards of professionalism in the name of something more important? One the other hand, must professionals remain scrupulously moral in order to adhere to the standards of professionalism? Employers and clients sometimes demand questionable actions of professionals precisely in their capacity as professionals- should they accede to such demands? What if acquiescence is necessary in order to remain on the job or in the profession?

Francis (2000:91) signifies that commitment and adherence to a code of ethics may be seen as a contract. Such commitment and adherence may be done formally, as is often the case with professional registration to do business. Codes may also be used as a standard that is legally persuasive. Given legislative approval these codes could become binding.

Kultgen (1998:12-13) however points out that many professionals are impatient with the fretted question of ethics. They feel that the members of their profession have been raised in good homes and are God-fearing Church-going men. They bristle at the suggestion that moral standards change in the workplace and they take personal offence at criticisms of their professional code. Perhaps this conception of ethics would suffice if the obligations of professional were clear and obvious and could be met without difficulty or sacrifice, if professionals never faced ethical dilemmas and could always be counted on to do what is right as a matter of routine. Unfortunately, professionals, precisely as professionals, are confronted with serious conflicts of duty and conflicts between duty and self-interest. The stakes are high both for the integrity of the professional and the welfare of others. Professional ethics are the moral standards, principles, and regulations that guide the course of professional behaviour. Professional ethics are both individual and institutional in nature. Professional ethics can be learnt during the course of study of the profession. Professional ethics also rely upon one’s personal moral behaviour and judgment. It is essential that professionals continue to evaluate and learn about ethical issues in their respective fields, as professional ethics change in light of new technologies.

Kultgen (1988:209) asks the question” Is there a professional ethic in any sense of the word?” The term “professional ethics” has several meanings.1.” It refers, first, to the norms required by the moral point of view for the kind of work that professionals do, that is, an ideal rational ethic.2.”Professional ethics”, means second common norms actually followed by most professionals. An ethic exists to the extent that professions regard such practices as morally obligatory.3. The term means, third, common elements of codes of professional associations. Many such codes exist, but they do not always conform either to rational norms or actual practices.4. Finally, the term refers to a prospective compact between the professions and society. The institutional reformer seeks to create such an ethic, but with the proviso that it conforms to rational ethics and the hope that its principles will gain currency among professionals and become incorporated in their codes.

Professional ethics should be taught during professional training so that all potential professionals will be well equipped for professional practice. Generally, this should embrace law, ethics, and the code of ethics applicable to the profession as well as other professions.

In Nigeria, the Chartered Institute of Bankers of Nigeria is responsible for the professional training of bankers. The goals and objectives of the Institute are as follows:

(1) Promoting banking education in Nigeria through:

  (a) Conducting Banking examinations.

  (b) Organizing lectures, seminars and conferences on banking, finance and other allied subjects.

  (c) Conducting research into banking theory and practice with special reference to local conditions.

  (d) Production of professional and banking publications.

(2) Upholding and ensuring the observance of professional ethics and tradition in the banking industry.

(3) Promoting general advancement of banking practice in its branches and facilitating good rapport between bankers on matters of common interest and keeping abreast of the latest developments in the banking industry.

(4) Disseminating banking information to the general public and liasing with government towards promoting and regulating the banking industry in Nigeria.

The syllabus Structure is as follows:

OLD

Foundation

Section I

1.Economics

2.Accounting 1

3.Business Communication

4.General Principles of Law

Section II

5.Quantitative Techniques

6.Data Processing and Management Information Systems (DPMIS)

7.Accounting II

8.Elements of Banking

Professional Examinations I

9.Accountancy

10.Monetary Economics

11.Management Theory and Practice

Professional Examinations II

12.Law Relating to Banking

13.Financial Management

14.International Finance

Professional Examinations III

15.Practice of Banking

Electives:

Group A

16.Marketing

17.Information technology

Group B

18. Mortgage Finance

19.Trust Administration

20.Corporate Finance

NEW

Foundation

Section I

1.Economics

2.Business Accounting

3.Business Communication

4.General Principles of Law

Section II

5.Quantitative Techniques

6.Business Information systems

7.Elements of Banking

Intermediate

8.Finacial and Management Accounting

9.Financial Economics

10.Management Theory and Practice

Professional Examinations I

11.Law and Ethics of Banking

12.Marketing of Financial Services

13.International Finance

14.Information Technology

Professional Examinations II

15.Practice of Banking

16.Financial Management

17.Strategic Management in the Financial Service Industry.

SINGLE SUBJECTS

1.Trust Administration

2.Mortgage Finance

3.Treasury Management

4.Bank Audit and Inspection

5.Taxation

6.Lending and credit Administration

7.Corporate Finance

8.Financial Risk Management

CERTIFICATE IN MORTGAGE FINANCE

1.Mortgage Laws and Practice

2.Investment and Treasury Management

3.Mortgage Finance

4.Marketing of Financial Services

Specifically, the syllabus for Law and Ethics of Banking aims:

(1) To enable candidates to understand:

   (a) The wide-ranging aspects of law most relevant to everyday banking practice, namely some basic features of mercantile law, the types of securities most commonly taken by banks and negotiable instruments which are the bedrock of banking transactions.

   (b) The fundamentals of business ethics, ethical standards and business effectiveness.

(2) To instil ethical standards in individuals and organizations in the financial services industry.

The syllabus on Law and Ethics of Banking specifically touches on the nature of ethics: moral responsibility, ethical standards, business effectiveness, and principles of business morality, solidarity, fairness, efficiency, ethical decision-making and assumptions, developing ethical awareness and the concepts and canons of ethics. Other areas are special responsibilities of managers like responsibilities to the firm and social responsibility to the customers, stakeholders and the society. Importantly, the section on the **Ethical Banker** covers areas like conflict of interests, acceptance of gifts, insider trading, honesty, and confidentiality, whistle blowing and loyalty to duties. The need for instilling ethical standards in organisations is provided under banking code of ethics, inter-bank transactions, CIBN professional code of conduct and professional discipline (Part V, CIBN Act No.12, 1990), offences and penalties under BOFIA, NDIC, Money Laundering Act, Advance Fee Fraud and other offences, Foreign Exchange Monitoring and Miscellaneous Provisions Act and Failed Banks and Other Financial Malpractices in Banks Act. From the syllabus above, it shows that professional bankers in Nigeria are well trained to face the challenges in the banking industry. Moreover, the Compulsory Continuing Professional Development (CCPD) Programme was designed to keep professional members of the Institute abreast of contemporary developments in the banking and finance industry. Each member is expected to attend the Institutes organised programmes specifically designed for this purpose. All members are expected to achieve at least 35 points each year and the programmes have been structured to ensure that members attend not lest than three (3) or four (4) programmes each year before they could attain the minimum number of points required by the Institute. This means that qualification alone, as a professional banker is not sufficient as the professional is expected to continuously remain within the professional circle and abide with the current dictates of the profession. Kurten (1988:213) postulates, “The sense of common values is enhanced when codes are taught in professional schools. They are taught either because familiarity is a condition for licensing or because ethical behaviour is conceived to be part of professional competence. A second ideological use of codes among members of a profession is disciplinary. The aim here may be moral as well as ideological. Leaders genuinely are concerned to deter malefactors and encourage conscientious behaviour. No doubt many are concerned for morality for its own sake, but all are highly concerned with appearances, the reputation of the profession, the honour and dignity of professional”.

For one reason or the other, there are some other professions working in the banks but who are not “bankers” as defined by the Chartered Institute of Bankers of Nigeria. Such workers are simply called “bank workers”. These other professionals include Accountants, Agriculturalists, Architects, Engineers (Building, Electrical, Civil, or Mechanical), Computer Engineers and Programmers, Electronics Engineers, Estate Managers, Lawyers and a host of other professions who do not register with the Chartered Institute of Bankers of Nigeria. This is mainly because they are not in mainstream banking operations. Some of these professionals may identify with the Institute and even undergo the professional banking examinations. However, the majority of them do not do so. As a result, conflict of interest amongst these various professions compounds the ethical problems in Nigerian banks.

2.4.2 Professional Leadership

Professional leadership is necessary for every organization. It ensures that the organization is under a good management team capable of taking rational and ethical decisions that would add value to the organization. Francis (2000:13 &100) points out that without ethical leadership there will be no ethical following. The overall significance of corporate governance is that ethics must start at the top, and be constantly fostered there. This is because accountability and responsibility lie at the heart of ethics. Francis (2000:10) further argues that corporate governance should set a proper example of good intent, and provide for those lower in corporate hierarchies the clear message that it is “do as I do” as well as “do as I say”. Middle and lower management find it hard to be ethical when it seems that the top of the corporate hierarchy have no commitment. The message of sincerity will always filter down, and no amount of deception will foster the view that a board is ethical when it plainly is not.

Brown (2003) observes, “Leaders need to model ethical behaviour for their employees” to follow as “modelling is a powerful leadership strategy where you show your employees through your own behaviour how you want them to behave with others.” He further maintains that anytime employees observe official and unofficial leaders are ethical, they:

- “Feel less pressure to compromise ethical standards;
- Observe less misconduct on the job;
- Are more satisfied with their organization overall; and
- Feel more valued as employees.”

Kultgen (1998:214) points out that most professions are composed of individuals following personal ethical standards. The influence of integrating organizations (professional schools, associations, licensing boards) is weak. Where there are significant powers of enforcement, professional associations and the governmental agencies they dominate are preoccupied with the economic behaviour of their members. It is rather notorious that internal policing is minimal

Kultgen (1998:215) therefore argues, “The disciplinary utility of codes is limited because enforcement mechanisms are weak. The most obvious way to gain currency for a rational professional ethic would be to strengthen those mechanisms. However the effort of courts to limit the control of associations over the economic behaviour of their members deter them from strengthening their ethical influences”. Penalties and sanctions are therefore usually imposed to ensure compliance with regulations.

For this reason, there exists a Code of Conduct for Directors of Licensed Banks in Nigeria. This is aimed at ensuring that Bank Directors do not only act ethically, but also live by example and foster the banking ethics in their respective banks.

2.5.1 Unethical Practices in Nigerian Banks

The First Professional seminar series to discuss “Ethics and Professionalism in the Nigerian Banking Industry” took place at the Gateway Hotel Ota from 31st July to 2nd August 1992 under the auspices of the Africa Leadership Forum.

Some of the major highlights were as follows:

- Greed was identified as one of the causative agents for the high incidence of fraud and other unprofessional conduct in the Nigerian banking industry.
- There was apparent moral laxity in the larger society.
- The frivolous manner with which banks dishonour cheques.
- The practice of government employing non-professional managers into critical positions undermines ethical standards and professionalism in the industry.
- It was remarked that crime and fraud would continue to flourish, unless those who perpetuate it are decisively dealt with.
- Unrealistic government directives encourage corrupt practices in the banks.
- There are different motivations and background of fraudsters. These include:

a) Some came into the banks purposely to commit fraud.

b) Some are converted to fraudulence.

c) Some, because of frustration become fraudulent.

d) Top management who are supposed to be exemplary is also guilty of misdemeanour; which go unchecked.

The major recommendations of the seminar were:

- There was a dire need for continuous training of bank staff for both technical and routine operational responsibilities.
- The appointment of bank directors should have regard to the sensitive nature of banking operations.
- It has become evidently necessary for government to divest its interest in the banks.
- Banks should endeavour to abide strictly with the Clearing House Committee rules on honouring and dishonouring cheques.
- Investigation and trials of fraudsters should be done as expeditiously as possible.
- There should be regular exchange of information amongst banks to reduce or eliminate incidence of fraudulent loan customers and risks of bad debts.
- Continuous holding of seminars for bankers on the need to maintain the highest ethical and professional standard.
- All existing panel provisions relating to banking malpractices should be overhauled.

Unethical practices in Nigerian banks still manifest themselves in various forms. This is because the entire economy has been pervaded with corruption. The banking sector of the economy has not been spared. Unethical practices creep into Nigerian banks right from the point of entry when staffs are being recruited. This is what is called “Relationship Employment “. It means employment not based on merit but based on beneficial relationships the bank will derive by offering a job to someone who is a relation to a wealthy customer or potential customer. The bank expects the new employee to attract huge deposits from his relation to the bank. Ethics and good conduct are therefore sacrificed for the deposits and professionalism is thrown overboard. Okeke (2004) The Guardian, Tuesday, 1 June 2004.

Another similar and peculiar unethical practice in the Nigerian banking industry is the debasement of womanhood. This manifests itself in the use of young female bankers as bait for deposit mobilization. The young girls are employed and given fantastic remunerations but unrealistic targets for deposit mobilization. Thus, in an effort to realize these targets, the girls do all sorts of unethical things that debase womanhood and tarnish the banking profession. This issue has attracted the attention of the Bankers’ Committee and the Osibodu Committee was constituted to investigate the matter.

The Osibodu Committee carried out discreet investigations and reported that the institutions involved in such unethical practices encourage the young girls to meet their targets by “any means”. Some of the girls who responded to the questionnaires sent out by the Osibodu Committee confirmed that they have been sexually harassed while their employers for failing to meet their targets have threatened others with job losses. According to Alabi (2002) cited by Unegbu (2004) “some critics have criticized the banking sector for celebrating prostitution in the guise of marketing banking services and products”. The implication is that in an effort to attract deposits by all means, these bankers may contravene the provisions of the Money Laundering Act by collecting deposits from questionable persons.

Pressure from shareholders for huge dividends has also been identified as another threat to ethics and professionalism in the Nigerian banking industry. This is so because the management teams of the banks must perform or they lose their appointments. Consequently, the management engages in shady transactions in order to maximize profits and dividends. As a result, ethics and professionalism are compromised in order to beef up earnings. Moreover, where there is excessive pressure for profit and dividends, at the expense of ethics, good business conduct, and service, management invariably fails to provide ethical leadership and ethical following.

Heermance (1924:1) points out that “unethical practices are not only a menace to society. They jeopardize the standing of the group as a whole, and tend to depreciate the value of its service. The enforcement of the standard becomes a matter of self-preservation. The written code has been found a most effective means of accomplishing this result. It makes the standard definite enough to serve as a basis for moral pressure. It educates sentiments within the profession or trade, particularly among the younger men who have entered or are about to enter. It puts the association in the proper light before the employing public and enlists the aid of that public in enforcing the standard”.

In Nigeria, a lot of unethical practices are happening in the banking industry.

Unegbu (2004) highlights these as:

- Lack of corporate image amongst the Nigerian banks.
- Public sees banks as exploitative; not partners in progress.
- Customers are not satisfied with quality and quantity of banking services.
- Relationship management by the banks is poor.

- Shortages are rampant from money withdrawn from banks.
- Frauds and forgeries abound which erodes public confidence in banks.
- Deviation from the primary business of financial intermediation.
- Poor customer service
- Insider abuses, etc.

But McDowell (1991:59) on the other hand points out "the most successful professionals are in general least subject to direct economic pressures to act unethically. Once they obtain the reputation for being among the most competent and able of their professional group, they are inundated with clients and requests for service. They can refuse any business that requires sharp practices or unethical behaviour. Since these highly successful practitioners also often serve as leaders and spokespersons for the profession, they, based on their own experience, downplay the existence of the dilemma. He however admits that even the most successful and altruistic professional cannot always escape the problems of competitive pressure".

2.5.2 Conflict of Interests

The Professional Banker, like any other professional is usually faced with role conflicts on daily basis in discharging the professional duties in the society. McDowell (1991:27) provides that different relationships exist between the professional and others. These may be listed as follows:

1) The professional and client.
2) The professional, if not self-employed, and employer.
3) The professional and fellow professionals.
4) The professional and members of related, competing, or subordinate professions.
5) The professional and the profession (as an entity or group).
6) The professional and society.

Kultgen (1998:28) clearly states that under the principle of role responsibilities, professionals primarily serve clients, employers, and special sectors of the public who come to them for aid. A profession is part of the larger social system. It is complemented by other action- systems, professional and non-professional.

Conflict of interest may therefore arise from any of these relationships. The professionals has allegiance to all these groups and must ensure that the interests of the other parties to these relationships are not only respected but preferred to their own.

Guy (1990:73) observes that conflicts of interest manifest themselves as conflicts of commitment or conflicts of obligation. Conflicts of commitment result from internally motivated dedication, or commitment, to a particular party. Conflicts of obligation result from externally motivated dedication, or obligation, to a particular party. Inherent within conflicts of interest is the acknowledgement that one is committed to promoting the interest of one party over another. Conflicts of commitment force people to choose between promoting the interests of the employer and promoting someone else’s interests. That is why McDowell (1991:54) on the other hand states that there is the formal ethical prescription that a professional must prefer the interest of the client, as well as the currently accepted primary goal of all economic or business activity, which is to make as much profit as possible. Professionals should not be greedy and loose sight of their professional duties to their clients. Thus McDowell (1991:91) provides that the peer professional who observes a colleague in unprofessional conduct has a series of role relations, which can conflict:

- Professional to professional-There is a duty to the colleague.
- Professional to the client who is being injured.
- Professional to the public-Even if the observing professional owes no direct duty to the client being injured, that client is a member of the public and professionals owe duties to citizens who are being injured by members of their profession that is as strong or stronger than the duties one owes another.
- Professional to the profession as an entity-A professional owes a duty to the profession to support and improve it.
- Professional to employer- Employers expect and demand loyalty from their employees, which includes deference, if not obedience, to the policy and professional decisions made by employers.

2.5.3 Greed

Gup (1990:13) says, “Greed is the motive for bank crimes”. It is a double-edged sword because both those who perpetrate bank crimes are greedy, and many of the so-called victims are equally very greedy. Dishonest and greedy loans have been the bane in the banking industry, which has accentuated the distress syndrome in the industry by weakening the deposit base of banks. This happens when bankers disregard laid down policies and the tenants of banking and connive with customers to obtain questionable loans and other facilities from a bank. They create potential bad loans, which may be difficult to recover from the customers due to the fact that the transactions have not been made in a transparent manner.

2.5.4 Frauds and Insider Abuse

Gup (1990:7) defines insider abuse as a technical term that “refers to a wide range of misconduct by officers, directors and insiders of financial institutions committed with the intent to enrich themselves without regard for the safety and soundness of the institutions they control, in violation of civil banking laws and regulations and perhaps also in violation of criminal banking laws”. He further points out that the term criminal misconduct refers strictly to criminal acts committed by such insiders against the institutions they control. For this reason, insider abuse does not necessarily involve criminal misconduct.

However, he argues that there is usually a very thin line between insider abuse and bank fraud. The difference between fraud and abuse is a “thin” line because what is abuse-which is legal but not good-and what is fraud-which is illegal is a narrow matter of interpretation. Fraud also plays a role in the failure of banks. The incidence of frauds and forgeries as reported by the Nigeria Deposit Insurance Corporation (NDIC) from year 2002-2004 shows that frauds and forgeries in Nigerian banks are on the increase. Table 1 shows this picture vividly.

Self-dealing on the other hand is a common form of insider abuse. It refers to insiders putting their own self-interest above the interest of the bank and its customers.

Owualah (1996) identifies some of the factors responsible for the increasing incidence of frauds in Nigeria to include the low rating of fraud as a serious crime and the fact that banks are seen as rich financial institutions, which can absorb the losses inflicted on them by fraudsters. Other reasons are the society's unquestioning attitude of sudden wealth and the high expectations from bankers, which has influenced the easy-minded ones amongst them to either commit frauds or connive with others to commit frauds. Another factor responsible for the increasing wave of frauds is the slow manner in which the judiciary hears and disposes frauds.

Often, the Courts tend to view frauds with leniency compared with robbery, burglary and theft.

Frauds are not only unethical practices but constitute a major threat to the survival of banks because of the economic implications for both the banks and the economy. For the banks, frauds are considered as losses that have to be written-off. This reduces profit as well as the capital available for operations. Frauds also lead to the erosion of public confidence in the banks and this manifest in loss of patronage. For the economy, frauds lead to low patronage of banks, which leads to low propensity to save, low propensity to invest, and low funds available for lending to the real sector of the economy, and consequently low rate of growth.

Owualah (1996:54) states "poor quality staff has also been blamed for the weak internal controls, frequent contravention of statutory regulations and the growing spate of frauds in the system". He further states, "It is trite to say that frauds now constitute one of the most worrisome problems cutting across all banks in Nigeria and inflicting huge financial losses on their victims."

Table 2.1

Returns of Insured Banks on Frauds and Forgeries

Quarter	Year	Average No. Of Banks rendering Returns	Total No. Of Fraud Cases	Total Amount Involved (N'M)	Total Expected Loss (N' M)	Proportion Of Total Expected Loss To

						Amount Involved
1st	2003	79	238	2,144.68	104.72	4.89
	2002	78	165	6,556.32	235.72	3.59
2nd	2003	78	218	1,221.45	311.54	25.54
	2002	77	233	1,224.20	471.94	3.86
3rd	2003	81	263	1,146.65	213.39	18.61
	2002	78	266	4,596.73	410.69	8.93
4th	2003	76	131	4,870.89	227.81	4.67
	2002	73	132	872.30	181.51	2.08
Average/Total	2003	79	850	9,383.67	857.46	9.13
	2002	77	796	12,919.55	1,299.69	10.10

Source: NDIC 2003 Annual Report.

Table 2.2 Banks Staff Involved in Frauds and Forgeries.

RANK	2001		2002		2003	
	Number	%	Number	%	Number	%
Supervisors &Managers	55	36.18	16	18.80	25 23.58	
Officers, Accountants & Executive Assistants	60	39.47	48	56.50	41 38.68	
Clerks & Cashiers	30	19.74	13		25 23.58	
Typists, Technicians & Stenographers	-	-	-	-	-	-
Messengers, Drivers, Cleaners Security Guards and Stewards	5	3.29	4	4.70	7	6.60
Temporary Staff	2	1.32	4	4.70	8	7.55
Uncategorized Staff	-	-	-	-	-	-
Total	152	100	85	100	106	100

SOURCE: NDIC 2003 ANNUAL REPORT

Table 2.3

TYPES OF MAJOR FRAUDS AND FORGERIES

INCLUDING CASES OF ARMED ROBBERY AND OUTRIGHT THEFT

General Nature of Fraud	Frequency	Amount Involved		Expected Loss	
		N' M	%	N' M	%
Granting of Unauthorized Loans/overdraft	24	222.67	2.66	19.27	2.27
Presentation of Forged Cheques	249	2269.91	27.09	209.30	24.41
Posting of Fictitious Credit	16	93.63	1.12	21.58	2.52
Loss of Money to Armed Robbers	40	597.2	7.13	81.81	9.54
Fraudulent Transfer and Withdrawals	283	4,370.2	52.16	347.17	40.49
Outright Theft	48	179.81	2.15	43.55	5.07
Suppression of Cash/cheques	113	644.51	7.69	134.60	15.70
Total	773	8377.93	100.00	857.46	100.00

SOURCE: NDIC 2003 ANNUAL REPORT

2.5.5 Mismanagement

Gup (1990:142-143) emphasizes the fact that the board of directors of a bank is responsible for establishing the bank's operating practices. Certain practices are however considered to be "unsafe or unsound". Unsafe or unsound in this context refers to practices that are believed to be contrary to the generally accepted and established standards of prudent and cautious operations which, could result in the unusual risk of loss to the bank, to the shareholders, or to the banking public in general, thus jeopardizing the entire economy.

Gup (1990:144) sums up with what he calls The “SERVE” Principle.

He points out that the activities of directors are summarized in the SERVE principle:

-Select qualified management.

-Establish business goals, policies, standards and procedures.

-Review business performance.

-Voice opinions and questions.

-Enforce compliance.

He further states that ethical behaviour is the final consideration. “In this context, it refers to a director’s choice for courses of action that benefit the bank, its stockholders, and customers. The director’s choices do not benefit his or her own interests, and they do not harm others”. Finally, he argues “directors should establish a code of ethics for all directors, officers, and employees of the organization. The code of ethics sends a strong message from the top of the organization down to all other levels as to how business is to be conducted.

Owualah (1996:54) however observes that in Nigeria, the deregulation brought about manpower problems. He states “frequent changes at the board and top management levels have given rise to ineffective management-a major cause of inconsistency in policies and the consequent distress in many state and privately owned banks”. He further states (74) that “the rising wave of frauds in the industry is due partly to the inexperienced hands that have taken over sensitive positions with the exit of the more experienced, resulting in poor credit appraisals and bad quality credits. Besides, this category of staff has been known to be more prone or susceptible to manipulations by fraudsters, both within and outside their institutions”. This calls for urgent training of personnel as well as pragmatic internal controls to checkmate the activities of fraudsters.

2.6.1 Internal Controls

Gup (1990:150-151) points out that management is responsible for devising and maintaining internal controls. According to him, internal controls can be defined as the plan of organization, method, and measures used to safeguard assets, to ensure the accuracy and reliability of data, to ensure compliance with policies and applicable laws and regulations, and to promote management efficiency. Stated otherwise, internal controls are procedures for prevention and detection within the context of accounting and administrative systems. They are intended to prevent individuals from taking unwanted actions such as altering financial records, and they help to detect errors and irregularities. Internal Auditors, also known as Inspectors, form the first line of defence against fraud.

Gup (1990:194) further shows that lack of corporate culture ethics manifests in the following situations: "absence of code of ethics; absence of a clear policy on conflicts of interest; lack of oversight by the bank's board of directors, particularly outside directors; absence of planning, training, hiring, and organizational policies; absence of clearly defined authorities and lack of definition of the responsibilities that go along with authorities; and lack of independence of management in acting on recommended corrections" .

2.6.2 Regulation, Supervision and Surveillance

Nwankwo (2001:1045) defines banking regulation as "a body of specific rules or agreed behaviour either imposed by some government or external agency, or imposed by the explicit or implied agreement within the industry that constraints the activities and business operations of the institutions in the industry to achieve defined objectives and act prudently." In a nutshell, it is the codification of public policy towards banks to achieve a defined objective and or act prudently. According to Ogunleye (1995) cited by (Nwankwo 2001: 1044), Financial system regulation is the "Laws, rules, directives and guidelines established to minimise the risk of financial institutions and market in equities in order to ensure the safety and soundness of individual institutions as well as the financial system itself ".

Llewellyn (1986) defines regulation of banks as "a body of specific rules or agreed behaviour either imposed by government or external agency or self imposed by explicit agreement within the industry that limits the activities and business operations of banks". Vitas (1992) cited by Ogubunka (2002) say that banking regulation aims at achieving efficiency, stability and fairness in both the banking industry and the entire economy. It also aims to ensure safe and sound banking practices by individual banks to secure depositor protection. But Francis (2000:90) argues that it is not the purpose of a business code to be an alternative to the law; neither is a code meant to be a means of challenging the law, even though this runs counter to the principle of resisting unjust laws. Ethics should lead, inform, and persuade rather than be a passive follower. Self-regulation does, however, monitor the performance of members of associations, and serves as a means of developing rules that may eventually be given legal force. Most of the regulations governing the operation of banks are codified by legislation. Moreover, following the introduction of Universal Banking in 2000, the Central Bank of Nigeria introduced the Financial services Regulation Co-ordinating Committee (FSRCC) for greater supervision and surveillance.

The focus of regulation has therefore been to reduce the risk of bank " insolvency and the potential cost of bank failures to depositors. This is the hallmark of the 1988 Capital Accord of the Basle Committee on Banking Supervision." Sanusi (2003). Laws and regulations are promulgated to ensure discipline and compliance with specified standards. Enforcement of banking laws is therefore necessary for the banking industry in order to avoid distortions in the system. Appropriate sanctions are prescribed by the CBN, NDIC, BOFIA or any appropriate Act applicable to banks. These are aimed at checking concealment of financial and economic crimes as well as other unethical practices, which are detrimental to the banking industry and the economy. The Nigerian banking industry has however witnessed substantial deregulation following the liberalization that followed the Structural Adjustment Programme (SAP) of 1986.Deregulation must therefore be seen as less regulation and more ethics. It places corporate governance on a high pedestal in the fiduciary and financial intermediation functions of Nigerian banks. Moreover, deregulation does not mean that banks should provide bad or unfair services to customers or just do anything the banks like. The Central bank of Nigeria cannot be indifferent to illegal or unethical issues and must take steps to ensure that banks provide ethical and transparent services to customers. Thus, the Central Bank of Nigeria conducts regulation of banks through statutory and supervisory regulations but with little influence on self-regulation. This is the area in which the banks are expected on their own volition to embrace ethics and ethical practices by practising Corporate Governance and Best International Standards. Also, for the banking industry, compliance with rules and regulations is not only seen as the beginning of wisdom but a survival strategy. In spite of all the routine examinations and regulations, total compliance by banks has beset with huge problems. It was by the Central Bank of Nigeria in its Annual Report and Statement of Accounts for the year ended 31st December, 2004 that various lapses still persists despite previous recommendations for correction and compliance. Notable amongst such lapses were under- capitalization, weak internal control systems, granting of credit with inadequate collateralisation, poor asset quality, violation of the single obligor limit, and weak corporate governance. Others relating to foreign exchange were non- compliance with open positions, failure to repatriate interest earned on Foreign Exchange Market (FEM) funds, non-distribution of the Naira proceeds repatriated on letters of credit transactions to eligible customers, excess charges by banks on foreign exchange transactions, recycling of airline tickets for invisible trade transactions, disbursement of foreign exchange without complete documentation, and failure to render specified returns to the Central bank of Nigeria (CBN). Under the Anti- Money Laundering and Know-Your-Customer Guidelines, The Central bank of Nigeria reported that the violations included non-disclosures of reportable transactions, late or incomplete and non-rendition of returns, inadequate training of staff on money laundering counter measures and combating financing of terrorism, and inadequate customer identification.

Table 2.4

Rating of Nigerian Banks Using The "CAMEL" Parameter

Category		Number		
	2001	2002	2003	2004
Sound	10	13	11	10
Satisfactory	63	54	53	51
Marginal	8	13	14	16
Unsound	9	10	9	10

SOURCE: CBN Annual Report and Statement of Accounts for the Year ended 31st December 2004.

The Central Bank of Nigeria indicated in its Annual Report for the year ended 2004 that the performance of Nigerian banks for that year using the "CAMEL" parameter reveals that ten (10) banks were "sound", fifty one (51) were "satisfactory", sixteen (16) were "marginal", while ten (10) were "unsound". However, Table 4 above shows a deteriorating trend in that from 2001 to 2004, the number of "satisfactory" banks has been on the decline from sixty three (63) in year 2001 to fifty one (51) in year 2004. Also, the number of "marginal" banks has been on the increase from eight (8) in 2001 to sixteen (16) in 2004. The report further revealed that "the marginal and/or unsound banks have exhibited such weaknesses as under- capitalization, illiquidity, weak / poor assets quality, poor earnings, etc." This precarious condition in the banking industry informed the Central Bank's decision to take urgent steps to forestall the re-emergence of systemic distress in the banking system. Consequently, in 2004, the Central Bank of Nigeria issued a 13-point agenda to “reform and reposition” the Nigerian banking industry so that it can effectively play its role in the domestic economy as well as compete internationally. The Annual Report shows that the 13-point reform agenda were as follows:

a. The requirement that the minimum capitalization for banks should be N25 billion with full compliance by December31, 2005;

b. The phased withdrawal of public sector funds from banks, starting in July 2004;

c. The consolidation of banking institutions through mergers and acquisitions;

d. The adoption of risk-focused and rule based regulatory framework;

e. The adoption of zero tolerance in the regulatory framework, especially in the area of data/information rendition/reporting.

f. The automation process for the rendition of returns by banks and other financial institutions through the enhanced Financial Analysis and Surveillance System (e-FASS);

g. The establishment of a hotline, confidential internet address (Governor@cenbank.org) for all those wishing to share any confidential information with the Governor of the Central Bank on the operations of any bank or the financial system;

h. The strict enforcement of the contingency planning framework for systemic banking distress;

i. The establishment of an Asset Management Company as an important element of distress resolution;

j. The promotion of the enforcement of dormant laws, especially those relating to the issuance of dud cheques, and the law relating to the vicarious liabilities of the Board members of banks in cases of failings by the bank;

k. The revision and updating of relevant laws, and the drafting of new ones relating to the effective operations of the banking system;

l. Closer collaboration with the Economic and Financial Crimes Commission (EFCC) in the establishment of the Financial Intelligence Unit (FIU), and the enforcement of the anti-money laundering and other economic crimes measures; and

m. The rehabilitation and effective management of the Nigerian Security Printing and Minting (NSPM) Plc to meet the security printing needs of Nigeria, including the banking system which constitutes over 90 percent of the NSPM's business.

2.6.3 Contraventions, Sanctions and Penalties

McDowell (1991:133) writes that the present structure of professions leaves a large area of autonomy or discretion to individual professionals, and it is within that area of professional freedom that abuse occurs. He opines that there are three possibilities:

(1) Complete and unregulated autonomy with the hope that internalised notions of competence and ethics will assure that autonomy is exercised wisely.

(2) Regulation and supervision by the profession.

(3) Governmental or social regulation of the profession by use of legal mechanisms.

Wellman (1961:2) highlights the fact that the banking profession is highly regulated to ensure a sound financial system. This is because large-scale abuses will take place and the banking industry would be ruined if law does not properly regulate and protect it with acceptable ethical standards.

The 1952 Banking Ordinance was the first official regulation governing banking business in Nigeria in spite of the fact that banking business commenced in the country in 1892. Thus, it took sixty years (60) of unregulated banking activities before any attempt was made to regulate banking in Nigeria. The history of banking development in the country is therefore full of tales of bank failures and liquidations.

Since 1952, there have been many governmental regulations put in place, which invariably affect banking operations and the way banking businesses are conducted. These regulations have been enacted to check criminal and unethical conducts. Banks must not only be aware of these regulations but must comply fully in a professional manner to avoid any breach of the law. This entails awareness and compliance, both of which depend to a large extent on training and professionalism.

Thus, in Nigeria the Banks and Other Financial Institutions Act 1991,Section 60(1), as amended, provides that "notwithstanding any of the provisions of this Act, the Governor may impose a penalty not exceeding N2, 000,000.00 or suspension of any licence issued to a bank or any other financial institution for the bank's or other institution's failure to comply with any rules, regulations or administrative directives made, given or issued by the Bank under this Act".

A close look at the Annual Report and Accounts of some banks for year 2004 shows that certain contraventions, which are either unethical or illegal practices, were still reported by these banks and the Central Bank of Nigeria penalized the banks. Examples are:

Table 2.5

First Atlantic Bank PLC

2004 Annual Report and Accounts

During the year, except for the contravention listed below, the Bank adhered to the provisions of the Banks and Other Financial Institutions Act 1991.

Section	Description	No. Of times	Penalty
15(4) (b) & (c)	Failure to meet up statutory liquidity ratio	1	N1, 000,000

Table 2.6

Union Bank of Nigeria PLC

2004 Annual Report and Accounts

The Union Bank Group contravened some of the Central Bank of Nigeria rules and regulations during year 2002 and paid penalties amounting to N101 million in the current financial year as stated below:

Section	Description	NO. Of times	Penalty N Million
60 (1) of BOFIA, 1991	Various contraventions of Central Bank of Nigeria rules and regulations noted during the year 2002 CBN routine examination.	1	3
2002 CBN Routine Examination	Ineligible transactions (various transactions without proper documentations).	1	97
60 (1) of BOFIA, 1991	Failure to obtain prior approval from CBN for a new Organogram and failure to implement recommendations on the previous examination reports.	1	1

Table 2.7

United Bank for Africa (UBA)

2004 Annual Report and Accounts

The bank contravened the following provisions of BOFIA during the year ended 31 March 2004.

Section	Contravention	Penalty Paid N million
60 (1) 9 a	Money Laundering Act in respect of Zamora Nigeria Ltd	90

	Failure to obtain valid licence for the operation of bureau de change	3
20 (1) (a)	Failure to implement five of the recommendations contained in the previous examiner's report	
60 (1)	Failure to render schedule XI returns per circular Ref: ECD/AD/122/87 of August 7, 1987.	6
60 (1)(a)	Failure to render returns on reportable transactions	
15 (4)	Non-compliance with liquidity ratio requirement	1

Table 2.8

AFRIBANK Nigeria PLC

2004 Annual Report and Accounts

Contravention of Banks and Other Financial Institutions Act, 1991 (BOFIA)

No contravention of the provisions of BOFIA by the bank was brought to the attention of the Auditors during the year ended 31 March 2004. However, the Group contravened certain sections of the Act. The bank had also contravened the Act in the previous year.

Section	GROUP	GROUP	BANK	BANK
	2004 N million Penalty	2003 N million Penalty	2004 N million Penalty	2003 N million Penalty
BOFIA 1991 provision section 15 (14) (b) & (c)	1,000	1,000	-	1,000
Section 28(3) (a) of CBN Act, 1991	-	1,000	-	1,000

Contravention of single obligor limit as stated in the CBN circular on universal banking	-	3,000	-	3,000
CAMA Section 631 &636	-	2982	-	2982
BOFIA Section 20 (2) (a) (1)	-	2,000	-	200
Failure to render schedule XI returns to CBN	2,500	-	-	-
Foreign Exchange (Forex) transaction	16,888	-	-	-

It is therefore clear that unethical /illegal practices remain the bane of the banking industry in spite of the efforts put in place to sanitize the industry and restore public confidence in the banking system and the economy at large. For this reason and many others, the Central Bank of Nigeria has continued to issue guidelines and regulations on important issues affecting the banking industry.

Sweet (2001:28) however argues that the state cannot legislate morality. It can legislate behaviours that virtuous persons would perform, but it cannot make its citizens virtuous. Francis (2000:2) supports the views expressed by Sweet. He says that ethics is about improvement; such aspiration to improvement means exceeding the minimum requirement. Some issues are of overreaching importance, such as preserving the safety, personal dignity, and integrity of individuals. Ethics is less about sanctions and blame than it is about setting standards, and encouraging compliance by individuals themselves.

The Central Bank of Nigeria is however empowered by the CBN Act 1999 “to issue guidelines to any person and any institution that engages in the provision of financial services, including operators of bureaux de change, development banks, community banks, discount houses and insurance companies”. Thus, a close look at some of the recent Banking Supervision Circulars from the Central Bank of Nigeria shows that many of these Circulars address topical ethical issues, which banks are expected to comply with to ensure safe and sound banking environment.

Some of the recent laws and regulations affecting banks and ethical/unethical behaviours in Nigerian banks include:

(1) The Central Bank of Nigeria Act 1991,as amended.

(2) The Money Laundering Act 1995.

(3) The Advance Fee Fraud and other Related Offences Act 1995.

(4) The Failed Banks (Recovery of debts) and Financial Malpractices in Banks Act 1994, as amended.

(5) The Banks and other Financial Institutions Act 1991, as amended.

(6) The Economic and Financial Crimes Commission Act 2002,and

(7) Any other law or regulations relating to economic and financial crimes.

The Nigeria Deposit Insurance Corporation was established in 1988 to protect small-uninformed depositors from the risk of losing their deposits with licensed banks. It is also meant to protect the banking system from instability occasioned by runs and loss of depositors' confidence. Its main function however is that of "insuring all deposit liabilities of licensed banks and such other financial institutions operating in Nigeria". Moreover, it also provides financial and technical assistance to banks that require such assistance in its desire for a safe and sound banking atmosphere in Nigeria. Specifically, section 34 of the NDIC Act empowers the Corporation to assist a failing bank merge with any other insured bank in order to forestall a situation where the bank will simply be allowed to go under.

Section 32 of the Nigeria Deposit Insurance Corporation (NDIC) Act No 22 of 1988 (as amended) stipulates "any licensed bank or such other financial institution which insurers its deposits with the Corporation shall be required to provide fidelity bond coverage". The fidelity insurance policy covers frauds and forgeries committed by insured banks' staff. This is intended to mitigate the adverse effects of insider frauds and forgeries on the banks. The insurance coverage for each bank is fixed at 15% of its paid-up capital as at 31st December of the preceding year. It could be gleaned from this requirement that banks' staffs are neither saints nor angels and could as well be fraudulent and unethical in performing their normal duties by circumventing laid down policies and procedures for their personal benefits. This is the fundamental reason why bankers should be aware of the ethics relating to their profession and perform these functions ethically and professionally.

The Bankers Committee is made up of the Governor of the Central Bank of Nigeria and Chief Executive Officers of all the banks in Nigeria. The Committee serves as an effective channel of communication between banks and the Central bank of Nigeria. It also influences policy decisions relating to banking and finance and macro-economic policy of the Federal Government of Nigeria.

The Bankers Committee was therefore challenged with the declining image of banks and bankers in the country due to unethical practices that became so apparent leading to lack of public confidence in the banking system. The genesis of the problem could be traced to the deregulation of the Nigerian economy during the Structural Adjustment Programme (SAP), of the late 1980's, which led to the liberalization of the banking industry. As a result, many banks were incorporated and granted license to commence full banking business. Unegbu (2004:30) reports that "this gave rise to the acute shortage of qualified and experienced personnel" and consequently, "ethics and professionalism were thrown overboard". Also, because of the sudden rise in the number of banks, stiff and unprofessional competition ensued for customers and profits. Banks therefore forgot the ethics of the profession and pursued profits at all costs. Public confidence in banks waned as banks were publicly criticized for unethical and sometimes criminal practices.

Consequently, it became apparent that urgent steps must be taken to correct these distortions and restore sanity and public confidence in Nigerian banks. Moreover, due to the unethical practices, many banks went under and were eventually liquidated. Depositors lost their savings. The Monetary Authorities must be seen to take corrective steps to avert failure of the banking and payment system. It therefore became obvious for banks to imbibe self-regulation by adopting a code of ethics for the industry in order to redress the situation. This is necessary because Government regulation and self-regulation must be seen to be complimentary, as laws and statutes cannot govern all aspects of banking transactions. Self-regulation and corporate governance should necessarily complement laws, rules and regulations for banks to remain ethical institutions, which can attract public confidence.

Thus, in order to address the issue of image of banks and bankers in Nigeria, the Bankers Committee set up a Sub-Committee on Ethics and Professionalism to sanitize the banking industry and checkmate the unethical and unprofessional practices. It is expected that this measure would restore public confidence in banks so that the important role of financial intermediation would be effectively carried out. The Committee went ahead and for the first time issued a Code of Ethics and Professionalism in the Banking and Finance

Industry. Prior to that time, the banks had been operating with a code of banking practice, which was produced by the General Assembly of Bank Chief Executives under the auspices of The Chartered Institute of Bankers of Nigeria.

The Bankers' Committee conducted a major study on the falling image of banks in Nigeria in 2003, which revealed that the unethical practices in Nigerian banks were responsible for the declining public perception about Nigerian banks. Among the major negative findings of the study was the observation that the banks and their employees are grossly involved in fraud and forgeries. The publics hold the view that "most frauds and malpractices are perpetrated by insiders or with the active connivance of banks' staff ".

Furthermore, the study revealed that services were generally poor and most of the banks' customers were unsatisfied with the services provided by the banks. The Bankers' Committee actually set up three sub-committees-the sub-committee on Corporate Governance for Banks and the Financial Institutions in Nigeria, the sub-committee on Ethics and Professionalism, and the Technical Committee on Electronic Banking. All were aimed at addressing the problem of quality of services the banks provide to the banking public with the view of not only making the services acceptable to customers but also meeting best standard practices worldwide.

Unegbu (2004:57) points out that "the three reports of the Bankers' Committee emphasize the need for corporate governance since the banks and many other market participants are leveraged institutions. As a consequence, they are vulnerable when things go wrong."

Adewunmi (1998) had conducted a similar study in which he revealed that Directors (Managing inclusive) and the General Management of Nigerian banks account to a great extent for the malpractices in Nigerian banks. This puts to question the kind of ethical leadership provided by such banks.

2.6.4 Ethics and Electronic Banking

Unegbu (2004) defines electronic banking "as a means whereby banking business is transacted using automated processes and electronic devices such as personal computers, telephones, fax machines, Internet, card payments and other electronic channels." The development of information technology in Nigeria has been rapid and this has improved service delivery to bank customers. However, the worry has always been how to protect customers from abuse and mismanagement resulting from electronic banking. Just as it is easy and quick to transact banking businesses using electronic banking, so it is to commit fraud with speed and ease using the electronic banking platform. The risk is real and the potential loss could be great if left unchecked. Thus, electronic banking must conform to appropriate legislation and code of ethics in the banking industry. It is against this backdrop that the Central Bank of Nigeria commissioned a study into the level and type of e-banking provided by Nigerian banks. The aim is to checkmate e-crime through electronic funds transfer and protect the banks, depositors and the general public against fraudsters. There is therefore constant need to provide e-security for all e-banking transactions as the e- platform has made it possible to digitalize information and transmit the data with high speed. This has enabled Nigerian banks like their counterparts anywhere in the world to offer financial and banking services to customers through the electronic media regardless of the place, time and distance.

2.6.5 Distress

Distress in banking parlance connotes situations where there is trouble with the bank. It is another way of saying that there are signs of insolvency and the bank may not be in a position to meet its obligations and commitments as and when they fall due. This may be due to mismatch of resources or sheer wanton mismanagement. In fact, the classical failure model postulates three main elements for failure namely: low profitability, high gearing and low liquidity. All these create distress for banks. According to the Munn's Encyclopaedia of Banking and Finance, Cited by Owualah (1996:57), "a failed bank is one closed temporarily or permanently on account of financial difficulties. Also included in this definition are "hidden failures" –that is, those banks whose deposit liabilities are assumed by other banks at the time of closing with the aid of loans or purchase of assets by a deposit insurance institution." Bank failures create hardship for many people and distort the payment system. Solomon (1999:121), says "as we enter the new millennium, there is an overriding question facing global free enterprise, and that is whether the corporations that now or will control and affect so much of the planet's humanity and resources can demonstrate not only their profitability but their integrity." Moreover, Solomon (1999:123) further" that in the new global marketplace, free enterprise carries with it all of the responsibilities of freedom, the obligation to be the best that one can be, the obligation to care about others who are also free but perhaps not so fortunate, the obligation to look beyond one's immediate goals to a larger and inevitably shared global future". For banks, there is no other option than to be ethical and prudent in all ramifications. Canon Agbetuyi, the chief executive officer of Omega Bank PLC writes in the Punch Newspapers on 4th June 2004 on "Cowboy Directors and distress in Banks" and aptly states, "Banking is about confidence, character, trust, and ethics. It is neither the racing field for cowboys nor the dancing floor for beauty pageants". This is because "a bank is a very sensitive institution dealing with people's lives, capital and confidence".

For this reason, he suggests that government should intensify investigations into the "history, character, integrity, and financial standard of would-be directors" to prevent cowboys from emerging on the board of directors of banks. This is necessary because as Gup (1988) says "the cause of most bank failures is loans that went bad. But why did the loans go bad? The answers may be found in "macro-economic instability or over-concentration of real estate loans". Bankers may have no control over macro–economic policies but certainly, they are in full control over their exposures to the real estate sector of the economy and indeed all other sectors; and professional and prudent appraisals of such loans would reveal the obligor limits and the level of safety needed for a "safe and sound" banking practice. Loans that are not appraised ethically would certainly fail. Such failures have serious implications for the capital adequacy of banks, which are constantly being eroded signalling eminent collapse of the banks"**.** In order to check the level of exposures to customers, the Central bank of Nigeria maintains a Credit Risk Management Bureau where records of all borrowings by bank customers are recorded and made available to all banks. This shows the exposures of such customers from all the banks and the status of such facilities. The credit rating of each customer is therefore available for analysis at the point of loan requests irrespective of where other facilities would have been taken by the same customer. The Credit Risk management Bureau uses the Credit Risk Management System (CRMS) for credit appraisal procedures and to monitor over-exposures in banks. The Central Bank of Nigeria indicated in its Annual Report and Statement of Account for the year ended 31st December 2004 that as at that date, the number and value of outstanding credits reported by banks stood at 32, 120 and N1, 247.2 billion respectively.

Owualah (1996:57) also observes, "Many reasons can be cited for bank failures. Notable among them are under-capitalization, poor management and excessive competition. Excessive competition for instance, forces banks to raise sharply their interest rates on deposits. As their cost of funds rise and profit margins shrink, higher yielding but risky assets are sought in order to sustain earnings. In the process, they become more susceptible to failures as the economy weakens. This popular view of one of the major causes of bank failures also accords with recent experiences in Nigeria in the wake of the surge in the number of financial institutions and the keen competition generated by their activities-including the distress borrowing by the weak ones in order to remain afloat".

Events, which may lead to the revocation of a bank's license-in other words, its failure, are spelt out in section 33(1) of the Banks and Other Financial Institutions Act (BOFIA) No.25, 1991.By this section, a bank is deemed to fall into the category of a failing bank if any of these situations arises,

- It is likely to become unable to meet its obligations under BOFIA,
- It is about to suspend payment to any extent,

- It is insolvent,
- It is considered to be in a grave situation. This situation is deemed to have arisen if the bank is carrying on its business in a manner detrimental to the interest of its depositors and creditors or has insufficient assets to cover its liabilities to the public or has been contravening the provisions of BOFIA.

Table 6 below shows that 36 banks have been liquidated between 1994 and 2003. The reasons for these bank failures cannot be far fetched. The primary reason in each case is failure to adhere to guidelines as well as mismanagement due to unethical practices. In all cases, depositors have lost their income while the banking system has been blamed for failing in its intermediation responsibilities. These failures have further eroded public confidence in the banking system in Nigeria. Concerted efforts have been made to restore public confidence in banks in Nigeria with the introduction of the Code of Ethics.

Owualah (1996) points out that “either by design or accident, the recent revocation of the license of banks by the Central Bank of Nigeria (CBN) is significant for two reasons. One is the potential sanitization effect on an industry, which now harbours more ailing institutions than at any other period in the recorded history of banking in Nigeria. The other is the signalling effect on the banking public. The liquidation process has sent the message that the danger of bank failure is not only real in Nigeria but that the banking public must exercise care in choosing their banks as many of these banks are distressed”. The message is clear. Unethical practices cannot stand the test of time and banks which survive on public confidence must be ethical in all ramifications in order to provide safe and sound banking environment. Managers and cahiers should not steal customer’s deposits. Gup (1990:14) observes, “Bank crimes have not and will not end. People will always rob and steal from banks because that’s where the money is”. But there are so many things we can do to prevent some bank crimes. One of those things is by being ethical and professional about the way banking transactions are handled by ensuring that business is done in accordance with the code of ethics in the banking industry.

Table 2.9

Banks liquidated between 1994 and 2003

S/N	BANKS IN LIQUIDATION	DATE OF CLOSURE
1.	Abacus Merchant Bank Ltd	Jan.16, 1998
2.	ABC Merchant Bank Ltd	Jan.16, 1998

3.	Allied bank Ltd	Jan.16, 1998
4.	Alpha Merchant Bank Ltd	Jan.16, 1998
5.	Amicable Bank of Nigeria Ltd	Jan 16, 1998
6.	Century Merchant Bank Ltd	Jan.16, 1998
7.	Commerce bank Ltd	Jan.16, 1998
8.	Commercial Trust Bank Ltd	Jan.16, 1998
9.	Continental Merchant Bank Ltd	Jan.16, 1998
10.	Co-operative & Commerce Bank PLC	Jan.16, 1998
11.	Credite Bank Nigeria Ltd	Jan.16, 1988
12.	Crown Merchant Bank Ltd	Jan.16, 1998
13.	Financial Merchant Bank Ltd	Jan.16, 1998
14.	Great Merchant Bank Ltd	Jan.16, 1998
15.	Group Merchant Bank Ltd	Jan.16, 1998
16.	Highland Bank of Nigeria Ltd	Jan.16, 1998
17.	ICON Ltd (Merchant Bankers)	Jan.16, 1998
18.	Ivory Merchant Bank Ltd	Dec.22, 2000
19.	Kapital Merchant Bank Ltd	Jan.21, 1994
20.	Lobi Bank of Nigeria Ltd	Jan.16, 1998
21.	Mercantile Bank of Nigeria PLC	Jan.16, 1998
22.	Merchant Bank of Africa Ltd	Jan.16, 1998
23.	Nigeria Merchant Bank Ltd	Jan.16, 1998
24.	North-South Bank of Nigeria Ltd	Jan.16, 1998
25.	Pan African Bank Ltd	Jan.16, 1998
26.	Peak Merchant Bank Ltd	Feb.28, 2003
27.	Pinnacle Commercial Bank Ltd	Jan.16, 1998
28.	Premier Commercial Bank Ltd	Dec.22, 2000
29.	Prime Merchant Bank Ltd	Jan.16, 1998
30.	Progress Bank of Nigeria PLC	Jan.16, 1998
31.	Republic Bank Ltd	Jun.29, 1995
32.	Rims Merchant Bank Ltd *	Dec.22, 2000
33.	Royal Merchant Bank Ltd	Jan.16, 1998
34.	Savannah Bank of Nigeria PLC *	Feb.15, 2002
35.	United Commercial Bank Ltd	Sept.8, 1994
36.	Victory Merchant Bank Ltd	Jan.16, 1998

* Liquidation suspended following court ruling.

SOURCE: NDIC 2003 ANNUAL REPORT

It was estimated that about N19.3 billion deposits were trapped in the 34 banks closed by NDIC between 1994 and 2000 with N3.8 billion belonging to the government while N15.5 billion belonging to the private sector (Ogunleye: 2001). This is rather sad and has created the seemingly low confidence in the banking industry. The reason why a substantial proportion of the money in circulation is outside the banking system can be attributed to the history and bad experiences of bank failures where customers have lost deposits. When customers continue to lose their deposits, they have become weary, apprehensive, suspect and disillusioned of banks and bank services. Sanusi (2003) pointed out that “the global concern about financial sector soundness is informed by the enormous cost inherent in banking distress.” Arising from the critical roles banks play in the economy, such costs include: weak financial intermediation that can lead to truncation of credit and misallocation of limited invest-able funds to risky projects; reduced monetary policy effectiveness; spread of financial contagion to other sectors of the economy; disruptions to the payment system; currency and balance of payments crises; losses to depositors both public and private and loss of confidence in the banking system.”

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the methodology adopted in this study will be discussed. It includes research design, the method of data collection, identification of the population, sample size, sampling procedures, method of data analysis, and research instrument.

3.2 Research Methods/Design

(Saunders et al: 1997) point out that “A research design or strategy is a general plan of how to go about answering the research questions. It contains the clear objectives, derived from the research questions and specify the sources of data collection" Research design also means the structuring of investigation aimed at identifying variables and their relationships to one another. This is used for the purpose of obtaining data to enable the researcher test hypotheses or answer research questions. It is an outline or a scheme that serves as a useful guide to the researcher in his efforts to generate data for his study (Asika: 1991).

For the purpose of this study, the questionnaire method has been adopted as the research design and the exploratory research design has been employed which is geared towards the collection of data for hypotheses testing. Causal design was also employed to test the relationships between the variables in the hypotheses formulated for the purpose of this study.

3.3 Justification for Research Design

The research design chosen for this project is the questionnaire method. This is because according to (Saunders et al 1996:243) “the greatest use of the questionnaire is made by the survey strategy. The survey method is also a popular and common strategy in Business and Management research.” They further observe that it has several advantages:

i) It allows the collection of a large amount of data from a sizable population in a highly economic way;

ii) Based on the questionnaires, the data are standardized;

iii) The survey method is perceived as authoritative by people in general;

iv) It is easily understood; and

v) It gives more control over the research process.

Consequently, these factors have influenced the choice of the questionnaire method as the research design for this project and the justification cannot be far fetched, as these reasons are coherent.

3.4 Research Instrument

The basic research instrument used in this study is the questionnaire. This involves the administration of well-structured questionnaires to respondents who are bankers and/or regulators in the banking industry. The responses were analysed and used to test the hypotheses from which valid decisions and conclusions were drawn.

Two methods of data collection are adopted in this study.

1. Primary Sources -Structured Questionnaire

A well-structured questionnaire was prepared and administered on Deposit Taking Banks in the country, including the Central Bank of Nigeria (CBN) the

Nigeria Deposit Insurance Corporation (NDIC), and The Chartered Institute of Bankers of Nigeria (CIBN). There were fifty-five (55) questions in all, which were subdivided into two parts.

Part one consists of thirty (30) questions with options of Yes or No. Part two consists of twenty-five (25) with five different options. These were Strongly Agree, Mildly Agree, Neither Agree nor Disagree, Mildly Disagree, and Strongly Disagree. The calibrations were as follows: Strongly Agree = 5, Mildly Agree = 4, Neither Agree nor Disagree = 3, mildly Disagree = 2, and Strongly Disagree = 1.

2.Secondary Sources -Desk Research

This aspect involves the collection of secondary data from newspapers, magazines, journals and books. Most of the data are from the publications of the Central Bank of Nigeria and the Nigeria Deposit Insurance Corporation and are very reliable. Sources of secondary data have been fully acknowledged in the bibliography. Library facilities used have been indicated under limitations of this study.

3.5 Research Population

According to (Asika: 1991). “The population is a census of all the elements or subjects of interest and may be finite or infinite” “The full set of cases from which the sample is taken is called the population” (Saunders et al: 1997). The population in this study consists of Bankers and Regulators in the banking industry in Nigeria. There are 89 Deposit Taking Banks in Nigeria as at June 2005 The entire population can therefore be estimated to run into several hundred thousands and is therefore too large as some banks employ as many as seven thousand staff. It is therefore imperative that a sample of the population must be taken for the purpose of this research.

3.6 Sample Procedure

Sampling techniques provide a range of methods that enables the researcher to reduce the amount of data the researcher needs to collect by considering only data from a subgroup rather than all possible cases (Saunders et al: 1997). Thus, this study is based on a sample size of 160 bankers drawn randomly from virtually all the Deposit Taking Banks in Nigeria.

The questionnaires were administered to Bankers at Chartered Institute of Bankers of Nigeria organized events namely the Fellows and Associates Annual Forum and the Annual General Meeting of the Institute where the target respondents were asked to complete the questionnaires by ticking the appropriate ranking applicable to each question. A total of 200 questionnaires were distributed. Respondents came from all over the country. The choice of the Bankers organized fora is informed by the fact that these bankers are the policy makers as well as the drivers of the banking industry in Nigeria. A gathering of this sort brings together various bankers from different banks and different backgrounds and provides the opportunity for wide coverage of the population and serves as a very sample for generalization as it is a rare privilege sample the views and opinions of many respondents across the country.

Some of the questionnaires were however administered from office to office in Lagos Island, Victoria Island, Ikeja, Maryland, Apapa and Ketu all in Lagos in order to achieve adequate representation to enable generalizations to be made from the responses. At least one response was obtained from each bank. A total of 200 questionnaires were distributed and 160 responses were received from respondents representing 80% response rate. This is quite representative as all the banks have been represented in the survey and the outcome is a valid representation of the banking industry in Nigeria. Three (3) responses were invalid and were discarded. Non-returns therefore amount to 37 representing 18.5%.

3.7 Justification for Sample Selection

The random sampling method was employed in this research. The random sampling procedure has been employed because it is easy to administer and saves time. In view of the fact that there were few responses from some banks, all the 160 valid responses were analyzed to enable generalizations to be made for the entire banking population.

3.8 Statistical Techniques

Descriptive or quantifiable data can be summarized as a two-way contingency table for further analysis. Using the chi-square (X^2), one can use this method of statistical technique to do this analysis. The chi-square (X^2) enables a researcher to find out if the values of the two variables are independent or associated. It is based on a comparison of the observed values in the table with what might be expected if the two distributions were entirely independent (Saunders et al: 1997). It is a reliable means of determining the probability that two variables are independent.

The chi-square (X^2) is applied in the following situations:

a) When there are two variables drawn from independent samples each of which is categorized in two ways e.g. Yes and No responses.

b) When the data are non-metric. When the data are expressed in frequencies (Asika: 1991).

The chi-square (X^2) test has been adopted as the method of data analysis in this study.

It is expressed as chi-square (X^2)=$\frac{\Sigma\ (Of-Ef)}{Ef}$

Where Σ= Sum of

Of = Observed frequency

Ef = Expected frequency

Also, the statistical methods used for data analyses involve frequency distribution and percentage of the frequency. The bar chart shows the pictorial representations. We strongly believe that the methods employed will sufficiently portray the observations and justify the generalizations made from the investigation.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

In this chapter, the responses of respondents under this survey are presented and analysed. The bio-data of respondents were also presented.

The responses have been analysed using tables and graphs to drive home the responses to each research question and present the sample for generalisation of the population.

4.1 Introduction

The survey, which cuts across all the 89 Deposit Taking Banks in Nigeria and the Regulatory Institutions as listed in appendix 1, also cuts across diverse categories of employees in the banking industry. Table 4.1 shows the statuses of the respondents ranging from Officers, Accountants, Managers, Middle Management, General Management and Directorate level. Figure 4.1 shows the graphical representations.

Table 4.0.1 Statuses of Respondents.

S/N Job Position (Status)	Number	Percentage
1. Officers	66	41.25%
2. Accountants	18	11.25%
3. Managers	49	30.625%
4. Middle Management	8	5.0%
5.General Management	11	6.875%
6. Directorate	8	5.0%
TOTAL	160	100%

Fig.4.1 Statuses of Respondents.

SOURCE: Field Survey, June 2005

4.1.1 Officers

Under this category are Cahiers, Supervisors, Customer Service Officers, Front Desk Officers, Mandate Officers, Operations officers, Corporate Affairs Officers, Customer Care Officers, Relationship Officers, training Officers, Internal Auditors, Corporate Officers, Credit and Marketing Officers, Investment Officers, Off-Site Supervisors, Senior Banking Officers, Credit Analysts, Retail Marketing &Credit Risk Officers, Senior Supervisors, Administration Officers, System Administrators, Assistant Managers, Assistant Examiners and Deputy Managers. They constitute 41.25% of the research Population and are the first point of contact with the banks' customers. Their views are therefore significant for this survey.

4.1.2 Accountants.

A total of 18 Branch Accountants participated in this survey and they constitute 11.25% of the population. Branch Accountants or Operations Managers as they are sometimes called are responsible for the day-to-day activities of busy bank branch activities and constitute an important part of the general banking operations of a bank.

4.1.3 Managers

Under this group are Managers, Heads, Customer Care, Heads, Operation Support, Branch Head of Operations, Branch Managers, Operations Managers, Branch Administrators, Relationship Managers, Risk Managers, Head, Foreign Operations/Trade Finance, Head, Bank-wide Operations, Managers, Lending &Administration, Compliance Managers, Business Development Managers, Head of Credits, Head, Human Capital Development, and Group Head Training. This group constitutes 30.625% of the Research Population.

4.1.4 Middle Management

This group consists of Senior Managers, Senior Examiners, Principal Managers and Regional Managers. They constitute 5% of the Research Population.

4.1.5 General Management

This group is made up of Assistant General Managers, Deputy General Managers, General Managers, Deputy Finance Controller, Treasurer, Regional General Manager, and Company Secretary / Leal Adviser. This group makes up 6.875% of the Research Population.

4.1.6 Directorate

Members of the Directorate include Assistant Directors, Deputy Directors, Directors and the Special Assistant to the Central Bank Governor. Members of the Directorate make up 5% of the Research Population.

Table 4.0.2 Age Distributions.

Age Distribution of Respondents

S/N	Age Bracket	Number	Percentage
1.	Below 20	NIL	0.0%
2.	21-30	37	23.125%
3.	31-40	56	35.0%
4.	41-50	52	32.5%
5.	51-60	15	9.375%
TOTAL		160	100%

Fig. 4.2 Age Distributions.

SOURCE: Field Survey, June 2005

Table 4.2 shows the age distribution of respondents. There was no respondent below the age of 20 years. The range is from 21-60 as the retirement age in the banking industry in Nigeria is 60 years. Majority of the respondents fall within the productive age bracket of 21-50 years i.e. 145 (90%) while only 15 (10%) were above 50 years old and were nearing retirement. This implies that the respondents were well aware of the research questionnaires presented to them and were therefore sufficiently mature to make informed decisions and judgement based on the questionnaires presented to them. Consequently, the researcher is confident that the information provided by the respondents is reliable.

Table 4.0.3 Gender Distributions.

S/N	Gender	Number	Percentage
1.	Male	112	70%
2	Female	48	30%
TOTAL		160	100%

Fig.4.3 Gender Distributions.

SOURCE: Field Survey, June 2005.

Table 4.3 shows the gender distribution of respondents. 160 participants took part in this study and out of this number, 112 participants representing 70% were male participants. 48 participants representing 30% were females. This shows that the survey is typical of the banking industry. There is great demand on time for the banking profession, which invariably discourages females from taking up banking appointments due to the demands associated with their domestic chores as well as the need to raise families. However, the female participants constitute a good proportion of this survey and form part of all the categories under this survey including the General Management cadre except the Directorate cadre. A thirty percent representation is considered satisfactory.

4.4 Distribution of Responses to Research Questions.

PART 1

1.Banking is a profession.

Table 4.1 Responses to Question 1

S/N	NUMBER	PERCENTAGE
1.YES	155	96.675%
2. NO	5	3.125%
TOTAL	160	100%

Fig.4.1 Responses to Question 1.

SOURCE: Field Survey, June 2005

Table 4.4 shows the distribution of responses to question 1. A total of 155 Respondents out of 160 participants agreed that banking is a profession while 5 Respondents representing 3.125% said banking is not a profession. Figure 4.4 equally displays a chart showing the responses in a graphical presentation to convey the result in a pictorial manner. Banking has become a very important profession in almost every economy in the world as banks provide financial intermediation function services to the citizens and government of every country. It is therefore appropriate to expect the banking profession to be ethical in its duties and exhibit a great sense of professionalism in

2 “Entry and practice” in the banking profession is unrestricted.

Table 4.2 Responses to Question 2.

S/N	NUMBER	PERECNTAGE
1.YES	95	59.375%
2.NO	65	40.625%
TOTAL	160	100%

Fig. 4.2 Responses to Question 2.

SOURCE: Field Survey, June 2005

Most of the respondents to this question (95) representing 59.376% said that entry and practice into the banking profession is unrestricted while 65 Respondents representing 40.625% maintain that entry into the banking profession is restricted. Even though the survey suggests that entry into the banking industry is unrestricted due to the fact that new entrants do not really need to be professional bankers before taking up a banking appointment, the new entrants are usually required to register with the Chartered Institute of Bankers of Nigeria and sit for the professional examinations. The essence is to prepare the new entrants for professional practice in the banking career. The banking profession cannot remain open to everybody if the profession is to check the high level of unethical practices in the banking industry in Nigeria. There should be a prescribed way of entry into the banking profession and the Chartered Institute of Bankers of Nigeria should evolve a mechanism for this for banks to implement.

3.Unrestricted entry into the banking profession is responsible for the unethical practices.

Table 4.3 Responses to Question 3

S/N NUMBER PERECNTAGE

1.YES	77	48.125%
2.NO	83	51.875%
TOTAL	160	100%

Fig. 4.3 Responses to Question 3.

SOURCE: Field Survey, June 2005

Responses from respondents to this question shows that unrestricted entry into the banking career may not necessarily be the main cause of unethical practices in the industry. It is however partially responsible for some of the unethical things happening in the industry. There are other contributory factors responsible for the ugly unethical practices in the banking industry as revealed by the other questions. 77 respondents (48.125%) agreed that unrestricted entry into the banking profession is responsible for the unethical practices in Nigerian banks and 83 (51.875%) respondents disagreed with this statement.

4.Ethics should be strictly enforced in banks.

Table 4.4 Responses to Question 4.

S/N	NUMBER	PERECNTAGE
1.YES	155	96.875%
2.NO	5	3.125%

TOTAL	160	100%

Fig.4.4 Responses to Question 4.

SOURCE: Field Survey, June 2005

A majority of the respondents (96.875%) feel that ethics should be strictly enforced in banks. However, enforcement of ethics in the strict sense is a difficult thing to actualise in view of the fact that the Monetary Authorities cannot legislate ethics. Enforcement of ethics should therefore be at the individual banks as it is said that the best form of regulation is self-regulation. All Nigerian banks in line with Corporate Governance must imbibe this and ensure that high ethical practices are promoted in each bank.

5.Are there core ethical values in your bank?

Table 4.5 Responses to Question 5.

S/N	NUMBER	PERECNTAGE
1.YES	149	93.125%
2.NO	11	6.875%
TOTAL	160	100%

Fig. 4.5 Responses to Question 5.

SOURCE: Field Survey, June 2005

There are core ethical values in virtually all Nigerian banks as revealed by responses to this question as 149 respondents (93.125%) said there are core ethical values in the banks where they work and only 11 respondents (6.875%) said they do not have core ethical values in their banks. Core ethical values help employees to appreciate that management is serious about enlisting ethics in the organizational structure and culture and is not simply paying lip service to this issue. This encourages employees to imbibe the culture and live by it.

6.Do you practice these ethics?

Table 4.6 Responses to Question 6.

S/N	NUMBER	PERECNTAGE
1.YES	150	93.75%
2.NO	10	6.25%
TOTAL	160	100%

Fig.4.6 Responses to Question 6.

SOURCE: Field Survey, June 2005

The banks that have core ethical values practice these values as indicated above as150 respondents representing 93.75% confirmed that the banks where they are employed practice these values. Only a small proportion of 10 respondents accounting for 10% of the respondents indicated that since no core ethical values are available in their banks, they do not practice these values. This is quite understandable, as one cannot practice what has not been put in place in such banks. However, such banks must urgently review their corporate culture in tune with corporate governance and the rule of business law.

7.Does your bank encourage professional training?

Table 4.7 Responses to Question 7.

S/N	NUMBER	PERECNTAGE
1.YES	144	90%
2.NO	16	10%
TOTAL	160	100%

Fig. 4.7 Responses to Question 7.

SOURCE: Field Survey, June 2005

It is interesting to note that almost all the banks (90%) encourage professional training of their staff and the few that do not do so should evolve means of encouraging professional training as this the only way of providing the banking industry with skilled manpower to face the challenges of financial intermediation.

8.The professional examination of the CIBN includes a course on Ethics.

Is this “Ethics” training sufficient for professional development?

Table 4.8 Responses to Question 8.

S/N	NUMBER	PERECNTAGE
1.YES	78	48.75%
2.NO	82	51.25%
TOTAL	160	100%

Fig. 4.8 Responses to Question 8.

SOURCE: Field Survey, June 2005

This question reveals that the course on “Law and Ethics of Banking” in the Professional Examinations of the Chartered Institute of Bankers of Nigeria is not sufficient for professional development as indicated by 82 respondents (51.25%). The Institute may wish to explore other means of ensuring that ethics training is included in the school curricula right from primary school level up to the tertiary level so that all school leavers would have been properly groomed in ethics and ethical behaviours and expectations to be able to fit into the office and work culture especially in the banking industry where high ethical discipline are expected from the staff.

9.Does your Inspection Department ensure that “ethical practices” are carried out in your bank?

Table 4.9 Responses to Question 9.

S/N	NUMBER	PERECNTAGE
1.YES	150	93.75%
2.NO	10	6.25%
TOTAL	160	100%

Fig. 4.9 Response to Question 9.

SOURCE: Field Survey, June 2005

The Inspection Departments of Nigerian banks are expected to ensure that the banks comply with statutory regulations and that the affairs of the banks are being conducted in a transparent manner. By inspecting all aspects of the banks' business and customers' accounts, the Inspectors ensure that internal control measure put in place to safeguard the bank and its customers are not compromised. Implicitly, Inspectors must ensure that ethical practices are carried out in their banks. These are to ensure that banks operate as responsible corporate citizens and obey all laws and regulations enacted for a sound and healthy banking environment. About 93.75% of respondents confirmed that the Inspection departments in their banks carry out this oversight function.

10.Our Branches/Head office Departments are inspected every year.

Table 4.10 Responses to Question 10.

S/N	NUMBER	PERECNTAGE
1.YES	151	94.375%
2.NO	9	5.625%

TOTAL	160	100%

Fig.4.10 Responses to Question 10.

SOURCE: Field Survey, June 2005

As a follow up to question 9 above, this question reveals that routine inspection exercises are carried out on yearly basis in Nigerian banks (94.376%) to detect irregularities, unethical practices, frauds, mismanagement and checkmate unlawful transactions as well as violation of rules and regulations. It is also meant to enforce compliance with internal controls and policies.

11.Does your bank reward staff that prevents fraud in your bank?

Table 4.11 Responses to Question 11.

S/N	NUMBER	PERECNTAGE
1.YES	116	72.5%
2.NO	44	27.5%
TOTAL	160	100%

Fig. 4.11 Responses to Question 11.

SOURCE: Field Survey, June 2005

Most of the banks have a way of compensating staff that prevents frauds. Some banks give letters of commendation to the staff while others present token gifts of different kinds. In response to this question, 72.5% of the respondents confirm that their banks actually reward those who frustrate and prevent frauds in such banks. The essence is to encourage staff to be vigilant and professional in their duties in order to curb the menace from the banking system. By so doing, the banks, the staff, the customers and the general public will have a safe and sound banking environment capable of sustaining economic growth and development.

12.Is your bank aware of the Code of Ethics and Professionalism in the banking industry?

Table 4.12 Responses to Question 12.

S/N	NUMBER	PERECNTAGE
1.YES	155	96.875%
2.NO	5	3.125%
TOTAL	160	100%

Fig. 4.2. Responses to Question 12.

SOURCE: Field Survey, June 2005

Virtually all the banks are aware of the Code of Ethics and professionalism in the banking industry as revealed by the responses to the question above since 155 respondents representing 96.875% are aware. This is very good for the industry as it appears almost every banker in Nigeria is aware of the Code of Ethics and Professionalism governing the practice of banking in Nigeria. With this awareness, the platform has been created for ethical, professional and transparent dealings in all forms of banking business. The Bankers Committee, through the Chartered Institute of Bankers of Nigeria must however strive to cover all grounds by ensuring that a 100% awareness level is achieved.

13.Has your bank been adhering to the Code of Ethics and Professionalism?

Table 4.13 Responses to Question 13.

S/N	NUMBER	PERECNTAGE
1.YES	148	92.5%
2.NO	12	7.5%
TOTAL	160	100%

Fig. 4.13 Responses to Question 13.

SOURCE: Field Survey, June 2005

It is interesting to note that 92.5% of respondents said that their banks have been adhering to the Code of Ethics and Professionalism in the banking industry. This is actually expected in view of the level of awareness of the Code. The 7.5% that do not adhere to the Code could be explained to lack of awareness. A 100% adherence can only be achieved if a similar awareness rate can be achieved since awareness must precede adherence and compliance. This will, to a large extent, still depend on self-regulation and the adoption of an ethics culture by banks as well as a policy on corporate governance.

14.Has your bank ever been sanctioned by the CBN for violating its rules?

Table 4.14 responses to Question 14.

S/N	NUMBER	PERECNTAGE
1.YES	86	53.75%
2.NO	74	46.25%
TOTAL	160	100%

Fig. 4.14 Responses to Question 14.

SOURCE: Field Survey, June 2005

Adherence to the Code of Ethics and Professionalism is expected to yield fruits to a bank because it will be easy and compelling to obey rules and regulations thereby avoiding sanctions from the Central Bank of Nigeria. Sanctions from the Central Bank of Nigeria could be in many forms ranging from penalties and fines as well as outright bans from conducting certain transactions. It appears from the responses that sanctions are still rampant in the banking industry as 53.75% of respondents said that they had at one time or the other been sanctioned by the Central Bank for violating its rules.

15.Were such sanctions imposed due to unethical practices?

Table 4.15 Responses to Question 15.

S/N	NUMBER	PERECNTAGE
1.YES	41	25.625%
2.NO	119	74.375%
TOTAL	160	100%

Fig. 4.15 Responses to Question 15.

SOURCE: Field Survey, June 2005

As a follow-up to question 14, a greater proportion of respondents (74.375%) pointed out that the sanctions imposed by the Central Bank of Nigeria were not simply for unethical practices. Some of the sanctions could be for late rendition of statutory returns or improper and inaccurate returns. That notwithstanding, breaches of policy guidelines, rules and regulations issued by the Central Bank of Nigeria must be avoided.

16.The Prudential Guidelines has reduced the level of abuses of unprofessional lending in banks.

Table 4.16 Responses to Question 16.

S/N	NUMBER	PERECNTAGE
1.YES	132	82.5%
2.NO	28	17.5%
TOTAL	160	100%

Fig. 4.16 Responses to Question 16.

SOURCE: Field Survey, June 2005

The Prudential Guidelines were introduced by the Central Bank of Nigeria in ….to ensure that banks' loans and advances are closely monitored so that the credits do not deteriorate into non-performing status due to borrowers' inability to repay the credits. As such, adequate provisions must be made when the credits develop into hardcore with slim chances of recovery of the facilities. Thus, all credit risks are classified as "performing" or "non-performing". A credit facility is considered as a performing credit where payments of both principal and interest are up-to-date in accordance with the agreed terms of that facility. However, a credit facility is considered as non-performing when any of the following conditions exists:

a) Interest or principal is due and unpaid for 90 days or more.

b) Interest payment equal to 90 days interest or more have been capitalised, rescheduled or rolled over into a new loan (except where facility has been reclassified from non-performing to performing i.e. after borrower must have effected cash payment such that outstanding unpaid interest does not exceed 90 days).

c) Expired limit is over 90 days.

Basically, non-performing credit facilities are classified into three categories, namely: - Sub-standard, Doubtful and lost. These classifications are based on the following criteria: -

(1) Sub-standard facilities. These are credit facilities on which unpaid principal and /or interest remain outstanding for more than 90 days but less than 180 days. They display well-defined weaknesses, which could affect the ability of borrowers to repay. Examples are inadequate cash flow to service debt, under capitalisation or insufficient working capital, absence of adequate financial information or collateral documentation, irregular payment of principal and /or interest, and inactive accounts where withdrawals exceeds repayment or where repayment can hardly cover interest charges.

(2) Doubtful Facilities. These are credit facilities on which unpaid principal and /or interest remain outstanding for at least 180 days but less than 360 days and are not secured by legal title to leased assets or perfected realisable collateral in the process of collection or realisation. Full repayment of the debt is not certain and that realisation of collateral values will be sufficient to cover the bank's exposure.

(3) Lost Facilities. These are credit facilities on which unpaid principal and /or interest remain outstanding for 360 days or more. Such facilities are also not secured by legal title to leased assets or perfected realisable collateral in the course of collection or realisation. Banks are required to make provisions for perceived losses based on the credit portfolio classification in order to reflect the true position of the bank. The prescribed rate of provision is as follows:

(i) Subdtabdard-10%of outstanding principal unpaid.

(ii) Doubtful-50% of outstanding principal unpaid.

(iii) Lost- 100% of outstanding principal unpaid.

(iv) Performing–a general provision of 1% is also required for the aggregate of performing credits.

All these measures have been put in place not only to monitor the status of such credits but also to check unauthorised lending, excesses, as well as unethical practices as a close monitoring of such credits would reveal the weaknesses in them and ensure that checks are put in place to correct the anomaly.

17.Our bank identifies with the Chartered Institute of Bankers of Nigeria.

Table 4.17 Responses to Question 17.

S/N	NUMBER	PERECNTAGE
1.YES	136	85%
2.NO	24	15%
TOTAL	160	100%

Fig. 4.17 Responses to Question 17.

SOURCE: Field Survey, June 2005

The Chartered Institute of Bankers of Nigeria is the umbrella body for all Bankers in Nigeria. Apart from conducting the professional examinations, the Institute also upholds the promotion of ethics and tradition in the banking industry by disseminating information amongst Nigerian Bankers and facilitates good rapport and understanding in the industry. Consequently, all banks should as a matter of necessity identify with the Institute. This survey however reveals that while a great proportion of banks (85%) identify with the Institute, there are still some banks (15%) that are yet to appreciate the benefits of coming under the Bankers' umbrella. The Chartered Institute of Bankers of Nigeria Act should make membership of the Institute compulsory for all banks in Nigeria.

18.Is your Managing Director/ Chief Executive Officer a Professional Banker?

Table 4.18 Responses to Question 18.

S/N	NUMBER	PERECNTAGE
1.YES	91	56.875%
2.NO	69	43.125%
TOTAL	160	100%

Fig. 4.18 Responses to Question 18.

SOURCE: Field Survey, June 2005

The responses to this question shows that there are some Managing Directors / Chief Executives Officers of Nigerian banks (43.125%) who are not Professional Bankers. Ethics, Professionalism and Corporate Governance go hand in hand and one expects that all those who occupy the number one positions in the banking industry should be true bankers and professionals. The responses however show that (56.875%) of the Managing Directors Chief Executive Officers are Professional Bankers whereas 43125% represents the unprofessional group.

19.All the Top Management Staff in our bank are Professional Bankers.

Table 4.19 Responses to Question 19.

S/N	NUMBER	PERECNTAGE
1.YES	58	36.25%
2.NO	102	63.75%
TOTAL	160	100%

Fig. 4.19 Responses to Question 19.

SOURCE: Field Survey, June 2005

The Top Management staffs of banks includes Executive Directors, General Managers, Deputy General Managers, Assistant General Managers and other Principal Advisers, who in addition to the Managing Director/Chief Executive Officer, form the Management Team responsible for the day-to-day running of the banks. They formulate the policies for the banks in line with statutory and regulatory requirements. They are expected to be experienced professional bankers who can provide the need professional and ethical leadership that can drive the banks to perform their duties in a prudent and efficient manner.

20.There are many Professional Bankers in our employment.

Table 4.20 Responses to Question 20.

S/N	NUMBER	PERECNTAGE
1.YES	99	61.875%

2.NO	61	38.125%
TOTAL	160	100%

Fig. 4.20 Responses to Question 20.

SOURCE: Field Survey, June 2005

The survey shows that there are many professional bankers spread across many banks in Nigeria as 61.875% of respondents indicated that they have many professional bankers in their employment. The banking industry in Nigeria is very large and the number of people employed in the industry runs into several thousands.

21.There are many unprofessional bankers in our employment.

Table 4.21 Responses to Question 21.

S/N	NUMBER	PERECNTAGE
1.YES	99	61.875%
2.NO	61	38.125%
TOTAL	160	100%

Fig.4.21 responses to Question 21.

SOURCE: Field Survey, June 2005

Due to the large number of employees in Nigerian banks, a lot of these banks still harbour many unprofessional bankers as evident from the responses to this question. The responses show that 61.875% of respondents affirm that there are many unprofessional bankers in their banks. Such banks must encourage their staff to sit and pass the professional examinations of the Chartered Institute of Bankers of Nigeria to increase the level of professional bankers in their employment. The banks could also liaise with the Chartered Institute of Bankers of Nigeria to recruit fresh graduates who have just passed the institutes examinations. Students in Nigerian Universities and Polytechnics are eligible to sit for the examinations of the Chartered Institute of Bankers of Nigeria and have opportunities of gaining employment in some of these banks. All Nigerian banks should therefore develop a policy to recruit and retain sufficient number of professional bankers for its operations.

22.Has your bank ever been suspended from the Clearing House?

Table 4.22 Responses to Question 22.

S/N	NUMBER	PERECNTAGE
1.YES	31	19.375%
2.NO	129	80.625%
TOTAL	160	100%

Fig.4.22 Responses to Question 22.

SOURCE: Field Survey, June 2005

The All Nigeria Clearing System is a system by which banks within Nigeria exchange and settle cheques and other items drawn in Nigerian currency (Naira) payable at sight upon each other. The Local Clearing House is located at the Central Bank of Nigeria in almost all the State Capitals across the country and all banks must strictly observe the regulations laid down under the Clearing House Rules. In order to instil discipline in the Clearing House, the Central Bank of Nigeria (CBN) introduced the Nigeria Inter-Bank Settlement System (NIBSS) in 1993 and the Nigeria Automated Clearing System (NACS) in 2002. The major aims are to ensure an effective and efficient payment system that can eliminate delays in settlement and facilitate a reliable payment mechanism. Thus, any bank that fails to comply with the Clearing House Rules especially when the bank's account is consistently overdrawn with the Central Bank of Nigeria is usually suspended from the Clearing House until the bank is able to fund its account. This is seen as a sign of insolvency and a manifestation of mismanagement. Presently, not all banks are allowed to go to the Clearing House as the Central Bank of Nigeria has appointed Settlement Banks and banks that are not Settlement Banks are required to route their clearing through any of the Settlement Banks appointed by the Central Bank of Nigeria. The new clearing system was introduced on 1st April 2004 to enhance the efficiency of the payment system. This new system involved the appointment of seven (7) settlement banks to clear instruments for all deposit banks in the country. Responses to the question reveal that some banks had previously been suspended from the Clearing House. This is however a small percentage (19.375%) but it still borders on unethical practices and mismanagement on the part of the banks.

23.Looking at your Audited Accounts, were there contraventions of certain sections of the Banks and Other Financial Institutions Act of 1991 and circulars of the Central Bank of Nigeria?

Table 4.23 Responses to Question 23.

S/N	NUMBER	PERECNTAGE
1.YES	52	32.5%
2.NO	108	67.5%
TOTAL	160	100%

Fig.4.23 Responses to Question 23.

SOURCE: Field Survey, June 2005

One obvious way of determining whether Nigerian banks are behaving ethically or not is to check their Audited Annual Report and Accounts. The Annual Reports will reveal the contraventions of Acts, rules, and regulations enacted to ensure a safe and sound banking environment. Both the Central Bank of Nigeria and the Nigeria Deposit Insurance Corporation carry out Routine Examinations of Banks to ensure compliance with banking and company regulations. The External Auditors must report all contraventions of all statutory regulations. The banks are sanctioned for such contraventions and penalties are imposed for these types of offences.52 respondents representing 32.5% confirmed such contraventions.

24.At the company level, do you have any business ethics code?

Table 4.24 Responses to Question 24.

S/N	NUMBER	PERECNTAGE
1.YES	145	90.625%
2.NO	15	9.375%
TOTAL	160	100%

Fig.4.24 Responses to Question 24.

SOURCE: Field Survey, June 2005

A business ethics code defines the way an organisation handles its business activities. This necessary so that the sole motive of the organisation is not profits at all costs. Profits are desirable but must be pursued in ethical and transparent means A good proportion of the banks under this study (145) representing 90.625% have business ethics code at the company level apart from the Code of Ethics for the banking industry.

25. If yes, is it embedded in the staff manual and are your staffs aware of the business ethics code?

Table 4.25 Responses to Question 25.

S/N	NUMBER	PERECNTAGE
1.YES	145	90.625%
2.NO	15	9.375%
TOTAL	160	100%

Fig.4.25 Responses to Question 25.

SOURCE: Field Survey, June 2005

Just as majority of respondents indicated that they have business ethics code, they also affirm that this is embedded in the staff manual for awareness and guidance.

26. The Sub-Committee on Ethics and Professionalism has classified certain conducts as unethical / unprofessional. Are you aware of these conducts?

Table 4.26 Responses to Question 26.

S/N	NUMBER	PERECNTAGE
1.YES	122	76.25%
2.NO	38	23.75%
TOTAL	160	100%

Fig.4.26 Responses to Question 26.

SOURCE: Field Survey, June 2005

Quite a number of respondents are aware of the conducts classified as unethical/ unprofessional by the Sub-Committee on Ethics and Professionalism in the Banking industry based on the responses as 122 respondents representing 76.25% said they were aware. However, there is urgent need to take the awareness campaign to the shores of some banks that are unaware of the Code and its contents in order to rid the banking industry of unethical /unprofessional conducts and practices. Otherwise the sanitization effort would amount to nought if some banks comply with the Ethics of the industry while others are completely unaware of the ethical prescription for the same industry.

27. Has the Sub- Committee on Ethics ever applied sanctions against your bank for unethical/ unprofessional conducts?

Table 4.27 Responses to Question 27.

S/N	NUMBER	PERECNTAGE
1.YES	17	10.625%
2.NO	143	89.375%
TOTAL	160	100%

Fig.4.27 Response to Question 27.

SOURCE: Field Survey, June 2005

Only 17 respondents (10.625%) indicated that the Sub Committee on Ethics has ever applied sanctions against them for unethical /unprofessional conducts. The vast majority of 143 respondents (89.375%) have not been in breach of the Code of Ethics and Professionalism in the Banking Industry.

28. The Sub-Committee on Ethics and Professionalism was established on 19th December 2000. The Committee has helped to sanitize the banking industry.

Table 4.28 Responses to Question 28.

S/N	NUMBER	PERECNTAGE
1.YES	123	76.875%
2.NO	37	23.125%
TOTAL	160	100%

Fig.4.28 Responses to Question 28.

SOURCE: Field Survey, June 2005

The objectives of the Sub-Committee on Ethics and Professionalism in the banking industry are "to ensure highest level of adherence to sound and generally accepted banking practice, to ensure a strong commitment to good banking practice and to uphold the integrity of the profession in order to instil public confidence in the banking system." In effect, the Sub-Committee has the task of sanitizing the banking industry by ensuring strict and proper adherence to the Code of Ethics. The survey shows that the Sub-Committee has lived to its expectation as 123 respondents (76.875%) agreed that the Sub-Committee has helped to sanitize the banking industry.

29. The sanctions for unethical / unprofessional conducts appear to be too weak.

Table 4.29 Responses to Question 29.

S/N	NUMBER	PERECNTAGE
1.YES	86	53.75%
2.NO	74	46.25%
TOTAL	160	100%

Fig. 4.29 Responses to Question 29.

SOURCE: Field Survey, June 2005

In order to deter unethical /unprofessional conducts; the sanctions imposed by the Sub-Committee on Ethics should be strong enough to compel adherence to ethical practices. Adequate measures must therefore be taken to strengthen the sanctions as the survey shows that the sanctions are weak as filed by 86 respondents representing 53.75% of the population.

30.Has any Professional Banker(s) been dismissed / terminated in your bank for fraud related case(s)?

Table 4.30 Responses to Question 30.

S/N	NUMBER	PERECNTAGE
1.YES	64	40%
2.NO	96	60%
TOTAL	160	100%

Fig.4.30 Responses to Question 30.

SOURCE: Field Survey, June 2005

The responses to this question shows that 64 respondents representing 40% said that professional bankers had been dismissed / terminated for fraud related cases in their banks while 96 respondents representing 60% said no professional bankers from their banks were dismissed /terminated for fraud related cases. The responses show that cases of termination /dismissal amongst professional bankers are rare.

PART 2

1.Strongly Agrees=SA

2.Mildly Agrees=MA

3.Neither Agrees nor Disagrees=NAD

4.Mildly Disagrees=MD

5.Strongly Disagrees=SD

31.Ethics is Morality and should be taught at all levels.

Table 4.31 (a)-Responses to Question 31.

S/N	NUMBER	PERCENTAGE
1.SA	139	86.875%
2.MA	14	8.75%
3.NAD	3	1.875%
4.MD	1	0.625%

Table 4.31 (b)-Contingency (Question 31).

S/N	NUMBER	PERCENTAGE
1.Agree	153	95.625%
2.Disagree	7	4.375%
Total	160	100%

5.SD	3	1.875%
TOTAL	160	100%

Fig. 4.31(a)-Responses to Question 31. Fig. 4.31(b)-Contingency (Question 31).

SOURCE: Field Survey, June 2005

Ethics is morality and 153 respondents (95.625%) agreed that ethics should be taught all levels; that is right from childhood through primary, secondary, and tertiary institutions. It should also be part of any professional training and capacity development programmes so that all school leavers would receive ethics training before taking up any employment or starting any business outfit. This character education will create ethics awareness and equip young professionals to tackle ethical issues and problems as they arise later in life work situations.

32.Banking is based on Trust, Confidentiality and Transparency.

Table 4.32(a)-Responses to Question 32.

S/N	NUMBER	PERCENTAGE
1.SA	152	95.0%
2.MA	7	4.375%

Table 4.32(b)-Contingency (Question 32).

S/N	NUMBER	PERCENTAGE
1.Agree	159	99.375%
2.Disagree	1	0.625%

3.NAD	0	0.0%	Total	160	100%
4.MD	0	0.0%			
5.SD	1	0.625%			
TOTAL	160	100%			

Fig 4.32(a)-Responses to Question 32. Fig.4.32(b)-Contingency (Question 32)

SOURCE: Field Survey, June 2005

There is no gainsaying the fact that banking is based on Trust, Confidentiality and Transparency as 159 respondents (99.375%) affirmed this position. Only one (1) respondent disagreed that banking is not a profession and this is an insignificant proportion of the survey, as it constitutes less than one percent of the population under investigation.

33.The C.B.N. should regulate Ethics in the banking industry.

Table 4.33(a)-Responses to Question 33. Table 4.33(b)-Contingency (Question 33)

S/N	NUMBER	PERCENTAGE	S/N	NUMBER	PERCENTAGE
1.SA	95	59.375%	1.Agree	139	86.875%
2.MA	44	27.5%	2.Disagree	21	13.125%
3.NAD	7	4.375%	Total	160	100%
4.MD	6	3.75%			

5.SD	8	5.0%
TOTAL	160	100%

Fig. 4.33(a)-Responses to Question 33. Fig. 4.33 (b)- Contingency (Question 33)

SOURCE: Field Survey, June 2005

A great majority of respondents (139) want ethics to be regulated by the Central Bank of Nigeria. However, the Central Bank of Nigeria may not be able to regulate ethics because ethics involves self-regulation and individuals must learn and do the things, which are ethical and lawful.

34.Ethics should be enforced in the banking industry by legislation.

Table 4.34(a)-Responses to Question 34.

S/N	NUMBER	PERCENTAGE
1.SA	82	51.25%
2.MA	39	24.375%
3.NAD	22	13.75%
4.MD	6	3.75%
5.SD	11	6.875%

Table 4.34 (b)-Contingency (Question 34).

S/N	NUMBER	PERCENTAGE
1.Agree	121	75.625%
2.Disagree	39	24.375%
Total	160	100%

TOTAL 160 100%

Fig. 4.34(a)-Responses to Question 34. Fig 4.34 (b)-Contingency (Question 34).

SOURCE: Field Survey, June 2005

As observed above, there is nowhere in the world where ethics is enforced by legislation and the banking industry in Nigeria cannot be an exception. It is a worldwide practice that individuals and organisations should be ethical and law abiding in all ramifications must the state cannot enact legislations to police ethical behaviour. This is not to suggest that regulations will not be put in place to regulate and check the activities of individuals and their organisations. Ethics should therefore be seen as complementary to regulation in an effort to encourage good corporate culture and promote corporate governance based on best practices.

35.Unethical practices create distress in the banking industry.

Table 4.35(a)-Responses to question 35.

S/N	NUMBER	PERCENTAGE
1.SA	95	59.375%
2.MA	34	21.25%
3.NAD	15	9.375%
4.MD	9	5.625%
5.SD	7	4.375%
TOTAL	160	100%

Table 4.35(b)- Contingency (Question 35).

S/N	NUMBER	PERCENTAGE
1.Agree	129	80.625%
2.Disagree	31	19.375%
Total	160	100%

Fig. 4.35(a)-Responses to Question 35. Fig.4.35 (b)-Contingency (Question 35).

SOURCE: Field Survey, June 2005

Many banks have been liquidated in Nigeria from 1892 when the first bank was established in the country and today. Thus, most of the respondents in this survey (129) representing 80.625% agreed that unethical practices create distress in the banking industry. It is therefore necessary for bankers to be ethical in their work if the banking industry is to be free from distress

36.Greed and lack of professional training are responsible for the high incidence of fraud in the banking industry.

Table 4.36(a)-Responses to Question 36.

S/N	NUMBER	PERCENTAGE
1.SA	84	52.5%
2.MA	44	27.5%
3.NAD	7	4.375%
4.MD	11	6.875%
5.SD	14	8.75%
TOTAL	160	100%

Table 4.36(b)-Contingency (Question 36).

S/N	NUMBER	PERCENTAGE
1.Agree	128	80%
2.Disagree	32	20%
Total	160	100%

Fig. 4.36(a)-Responses to Question 36. Fig. 4.36(b)-Contingency (Question 36).

SOURCE: Field Survey, June 2005

Greed is one of the temptations and the bane of the banking industry as bankers who have been entrusted with private and public assets often engage in some unethical practices contrary to the confidence reposed in them by society. This problem is usually compounded by lack of adequate and proper professional training. Lack of knowledge of banking laws and regulations coupled with greed can lead the unwise banker to connive with each other or with fraudsters outside of the bank to commit frauds in an attempt to get rich quickly. The survey shows that 128 respondents (80%) agreed that greed and lack of professional training are responsible for the high incidence of frauds in the banks. Those who are aware of the law and the consequences of breaching it are always mindful of their actions and are likely to stay away from fraudulent activities, which could ruin their career prospects and lives.

37. All banks should encourage professional banking training.

Table 4.37(a)-Responses to Question 37.

S/N	NUMBER	PERCENTAGE
1.SA	150	93.75%
2.MA	6	3.75%
3.NAD	0	0.0%

Table 4.37 (b)-Contingency (Question 37).

S/N	NUMBER	PERCENTAGE
1.Agree	156	97.50%
2.Disagree	4	2.50%
Total	160	100%

4.MD	0	0.0%
5.SD	4	2.5%
TOTAL	160	100%

Fig. 4.37 (a)-Responses to Question 37. Fig. 4.37 (b)-Contingency (Question 37).

SOURCE: Field Survey, June 2005

There is a strong support for professional training amongst Nigerian bankers as 156 respondents out of the total population accounting for 97.75% of respondents agreed that all banks should encourage professional banking training for the benefit of their banks and society. Since entry into the banking profession is not fully or completely restricted, those who joined the banking career without the requisite professional background should be provided with accelerated professional training to enable them acquire the skills and knowledge required to do their jobs in an effective and efficient manner. This is imperative so that the banking industry would have credible and competent bankers operating with high level of loyalty to the banking profession and a high sense of integrity to the society. Each bank must have a policy on manpower training and development which is aimed at providing and improving the performance of their staff. This will prepare the staff for the present challenges on their jobs and also develop them for higher responsibilities in terms of knowledge, skills and attitudes in order to create room for succession and career planning in the bank.

38. Professional Bankers should be appointed to manage all banks.

Table 4.38(a)-Responses to Question 38 Table 4.38(b)-Contingency (Question 38).

S/N NUMBER PERCENTAGE S/N NUMBER PERCENTAGE

1.SA	127	79.375%
2.MA	20	12.5%
3.NAD	9	5.625%
4.MD	1	0.625%
5.SD	3	1.875%
TOTAL	160	100%

1.Agree	147	91.875%
2.Disagree	13	8.125%
Total	160	100%

Fig. 4.38(a)-Responses to Question 38. Fig.4.38(b)-Contingency (Question 38).

SOURCE: Field Survey, June 2005

There has been a loud cry in the Nigerian banking industry that some hawks and moneybags without any background in banking, finance, economics accounting or business administration have found themselves in top management positions in Nigerian banks because they have controlling shares in such banks. This situation does not augur well for the industry as such top management staffs engages in sharp unethical practices just for the sake of profit without complying with laid down rules and regulations. As such, responses from this survey (91.875%) suggested that professional bankers should be appointed to manage all Nigerian banks. Nigerian businessmen who have controlling interests in Nigerian banks should free themselves of the executive management of such banks and appoint professionals who would be responsible for the day-to-day affairs of such banks while they report their performance to the shareholders at the usual annual general meetings.

39.How do you feel about the following statement? ‘Bankers should place their client’s interest before their own.

Table 4.39(a)-Responses to Question 39.

S/N	NUMBER	PERCENTAGE
1.SA	90	56.25%
2.MA	37	23.125%
3.NAD	15	9.375%
4.MD	7	4.375%
5.SD	11	6.875%
TOTAL	160	100%

Table 4.39(b)-Contingency (Question 39).

S/N	NUMBER	PERCENTAGE
1.Agree	127	79.375%
2.Disagree	33	20.625%
Total	160	100%

Fig. 4.39(a)-Responses to Question 39.

Fig. 4.39(b)-Contingency (Question 39)

SOURCE: Field Survey, June 2005

Banking is service and bankers must place the lawful interests of their clients before their own since the interest of the banker is to add value to the customer thereby invariably adding value to the bank. When bankers place the interest of the customer above their own, they would not defraud the customer nor cheat the customer through forgeries, falsified records, wrong interest and commission charges etc.

40.In general, bankers place their client’s interest before their own.

Table 4.40(a)-Responses to Question 40

S/N	NUMBER	PERCENTAGE
1.SA	37	23.125%
2.MA	64	40.0%
3.NAD	29	18.125%
4.MD	12	7.5%
5.SD	18	11.25%
TOTAL	160	100%

Table 4.40(b)-Contingency (Question 40).

S/N	NUMBER	PERCENTAGE
1.Agree	101	63.125%
2.Disagree	59	36.875%
Total	160	100%

Fig. 4.40(a) Responses to Question 40.

Fig.4.40(b)- Contingency (Question 40)

SOURCE: Field Survey, June 2005

The survey shows that in general, bankers actually place their client's interest before their own since 101 respondents (63.125%) agreed to this question.

41.I often place my client's interest before my own.

Table 4.41(a) Responses to Question 41.

Table 4.41(b)-Contingency (Question 41).

S/N NUMBER PERCENTAGE

S/N NUMBER PERCENTAGE

1.SA	68	42.5%
2.MA	54	33.75%
3.NAD	16	10.0%
4.MD	8	5.0%
5.SD	14	8.75%
TOTAL	160	100%

1.Agree	122	76.25%
2.Disagree	38	23.75%
Total	160	100%

Fig. 4.41 (a) Responses to Question 41

Fig. 4.41 (b)-Contingency (Question 41).

SOURCE: Field Survey, June 2005

A further test of whether the respondents individually practice what is expected of them when they are confronted with specific situations like this confirmed that they often place their client's interest before their own. This is shown by the responses to the question as 122 respondents (76.25%) agreed that they often place their client's interest before their own.

42. Banks / Bankers have lived up to their ethical expectations.

Table 4.42(a) Responses to Question 42.

S/N	NUMBER	PERCENTAGE
1.SA	15	9.375%

Table 4.42 (b)-Contingency (Question 42)

S/N	NUMBER	PERCENTAGE
1.Agree	76	47.5%

2.MA	61	38.125%	2.Disagree	84	52.5%
3.NAD	35	21.875%	TOTAL	160	100%
4.MD	23	14.375 %			
5.SD	26	16.25%			
TOTAL	160	100%			

Fig. 4.42(a) Responses to Question 42 Fig.4.42(b)-Contingency (Question 42).

SOURCE: Field Survey, June 2005

The duties of bankers are onerous as bankers are custodians of private and public wealth. There are therefore a lot of expectations from bankers in terms of behaviour, conduct and life style. The societal expectation is that bankers must at all times be honest, knowledgeable, transparent, proficient, trustworthy and conservative, who would not divulge or disclose information about their customers without lawful permission. The test shows that bankers have not lived up to their ethical expectations as majority of respondents (52.5%) disagreed that bankers have lived up their ethical expectations. This signifies that a lot of attitudinal change and orientation is still required in the Nigerian banking industry.

43.Most of the frauds in the banks are due to insiders/collaborators.

Table 4.43(a) Responses to Question 43. Table 4.43 (b)- Contingency (Question 43).

S/N	NUMBER	PERCENTAGE	S/N	NUMBER	PERCENTAGE
1.SA	65	40.625%	1. Agree	115	71.875%

2.MA	50	31.25%	2. Disagree	45	28.125%
3.NAD	24	15.0%	Total	160	100%
4.MD	8	5.0%			
5.SD	1	8.125%			
TOTAL	160	100%			

Fig. 4.43(a) Responses to Question 43. Fig. 4.43 (b)-Contingency (Question 43).

SOURCE: Field Survey, June 2005

There is a common adage in the Nigerian banking industry that there is no fraud without an insider. The fraudsters need a collaborator who would leak some information to them or provide certain data for perpetuating the fraud. As such, if bank staffs were themselves not fraudulent, most of the frauds in the banks would have been averted or frustrated. Thus, out of the population of 160 respondents, 115 representing 71.875% agreed that most of the frauds in Nigerian banks were due to insiders and insider collaborations with fraudsters. This has been a detracting menace for the entire country as several billions of Naira-the Nigerian Currency-is lost to fraudsters from the banking system annually. That is why Section 32 of the Nigeria Deposit Insurance Corporation (NDIC) requires all licensed banks to provide fidelity bond coverage to cover frauds and forgeries committed by insured banks' staff. In most cases, the banks' staffs are even the main culprits.

44.Member banks that are under surveillance should not serve on the Ethics Committee.

Table 4.44(a) Responses to Question 44. Table 4.44(b)-Contingency (Question 44).

S/N	NUMBER	PERCENTAGE
1.SA	69	43.125%
2.MA	31	19.375%
3.NAD	34	21.25%
4.MD	16	10.0%
5.SD	10	6.25%
TOTAL	160	100%

Fig. 4.44(a) Responses to Question 44.

S/N	NUMBER	PERCENTAGE
1.Agree	100	62.5%
2 Disagree	60	37.5%
Total	160	100%

Fig. 4.44 (b) Contingency (Question 44).

SOURCE: Field Survey, June 2005

The Ethics Committee is made up of the Central Bank of Nigeria, the Nigeria Deposit Insurance Corporation, the Chartered Institute of Bankers of Nigeria, the Financial Institutions Training Centre and a number of banks drawn from the Nigerian banking industry. The survey however reveals that since all Nigerian banks are under surveillance by the Ethics Committee, the Ethics Committee should not have been composed of such members otherwise the Committee might not handle cases of unethical practices in their banks properly as undue influence cannot be ruled out.

45. Fraud is on the increase in the banking industry.

Table 4.45 (a) Responses to Question 45.

S/N	NUMBER	PERCENTAGE
1.SA	56	35.0%
2.MA	65	40.625%
3.NAD	28	17.5%
4.MD	5	3.125%
5.SD	6	3.75%
TOTAL	160	100%

Table 4.45(b) Contingency (Question 45).

S/N	NUMBER	PERCENTAGE
1.Agree	121	75.625%
2.Disagree	39	24.375%
Total	160	100%

Fig. 4.45 (a) Responses to Question 45.

Fig.4.45(b) Contingency(Question 45).

SOURCE: Field Survey, June 2005

Both the literature review and this survey confirmed that fraud is on the increase in the banking industry. Out of the population of 160 under this survey, 121 (75.625%) agreed that fraud is on the increase in the banking industry. The Central Bank of Nigeria in its Annual Report and Statement of accounts for the year ended 31st December 2004, pointed out that “the incidence of frauds and forgeries has worsened in 2004 as there were 1175 reported cases of attempted fraud and forgeries involving N9.6 billion U.S$7.8million, and Euro18, 492.0 in2004, compared with 1036 reported cases of attempted fraud and forgeries involving N3.6 billion, DM 120and Euro 895.0 in 2003. The report further showed out this number, 518 cases were successfully executed by the fraudsters and perpetrators and resulted in losses to banks amounting to N2.6 billion, U.S$608,721.13 and Euro18, 492 in 2004 compared with 369 cases of fraud and forgeries which were successfully perpetrated and resulted in losses to banks that amounted to US$271,882.0 and Euro 895.0 in 2003". This means that Nigerian banks need to be more ethical in order to reduce the level of frauds since frauds cannot be totally prevented as the staff of these banks perpetrates some of these frauds. However, proper ethics training and ethical leadership should encourage staff to be more ethical.

46 Many banks in Nigeria are distressed due to Unethical practices.

Table 4.46(a) Responses to Question 46.

S/N	NUMBER	PERCENTAGE
1.SA	74	46.25%
2.MA	41	25.625%
3.NAD	25	15.625%
4.MD	14	8.75%
5.SD	6	3.75%
TOTAL	160	100%

Table 4.46 (b) Contingency (Question 46).

S/N	NUMBER	PERCENTAGE
1.Agree	115	71.875%
2.Disagree	45	28.125%
Total	160	100%

Fig.4.46 (a) Responses to Question 46. Fig. 4.46(b) Contingency (Question 46).

SOURCE: Field Survey, June 2005

Fraud and forgeries are unethical practices and when these are on the increase in any industry, it creates ripple. The Nigerian banking industry is not an exception. Unethical practices have been the bane of the banking industry in Nigeria and all efforts to get rid of this monster seems to be futile because the larger society is pervaded by greed and corruption thereby creating the setting for unethical practices to thrive. These unethical practices have inflicted a lot of harm on the industry and the economy as the Nigerian banking environment is seen as unsafe and unsound due to the frequent and devastating bank failures that swept many banks in the history of banking in Nigerian.

47 Many banks in Nigeria are distressed due to mismanagement.

Table 4.47(a) Responses to Question 47. Table 4.47(b) Contingency (Question 47).

S/N	NUMBER	PERCENTAGE
1.SA	85	53.125%
2.MA	53	33.125%
3.NAD	11	6.875%
4.MD	3	1.875%
5.SD	8	5.0%
TOTAL	160	100%

S/N	NUMBER	PERCENTAGE
1.Agree	138	86.25%
2.Disagree	22	13.125%
Total	160	100%

Fig. 4.47 (a) Responses to Question 47. Fig. 4.47(b) Contingency (Question 47).

SOURCE: Field Survey, June 2005

Mismanagement is a deliberate act perpetuated by the Board of Directors and top management staff of banks for selfish and personal interests. Under such circumstances, management fail to exercise care and prudence over the resources at their disposal and often fail to disclose personal interests in contracts and facilities approved for customers. Insider abuse is therefore rampant while internal control is either absent or weak and unenforceable. The malaise could be devastating especially in the banking industry and could easily lead to the erosion of public confidence and a run on the bank. It is therefore not surprising that the Central Bank of Nigeria has put in place stringent conditions for the appointment of bank directors in order to ensure that only those with impeccable records are appointed to the Board of Nigerian banks. The aim is to trace those with a history of mismanagement and prevent them from inflicting further harm on the economy. However, until recently, there were a handful of family banks whose management have caused some concern to the Monetary Authorities.

48. The Bankers Committee has played an important role in implementing the Code of Ethics.

Table 4.48(a) Responses to Question 48.

S/N	NUMBER	PERCENTAGE
1.SA	47	29.375%
2.MA	70	43.75%
3.NAD	30	18.75%
4.MD	9	5.625%
5.SD	4	2.5%
TOTAL	160	100%

Table 4.48(b) Contingency (Question 48).

S/N	NUMBER	PERCENTAGE
1.Agree	117	73.125%
2. Disagree	43	26.875%
Total	160	100%

Fig .4.48(a) Responses to Question 48. Fig. 4.48(b) Contingency (Question 48).

SOURCE: Field Survey, June 2005

The Bankers Committee is a body of Bank Chief Executives and the Central bank Governor who meet periodically to assess and discuss events in the Nigerian banking industry. The bankers Committee through its Sub Committee on Ethics has the responsibility of ensuring that there is a level-banking environment in Nigeria where ethics is enshrined and the public have confidence in the payment system. Consequently, it was mandated to sanitize the industry by ensuring that an appropriate Code of Ethics was put in place for all bankers in Nigeria. The survey shows that the Bankers Committee has played an important role in implementing the Code of Ethics in the banking industry as 117 respondents representing 73.125% acknowledged the role played by the Bankers Committee.

49. The penalties imposed by the Monetary Authorities deter unethical practices.

Table 4.49(a) Responses to Question 49.

S/N	NUMBER	PERCENTAGE
1.SA	13	8.125%
2.MA	42	26.25%
3.NAD	52	32.5%
4.MD	23	14.375%
5.SD	30	18.75%

Table 4.49(b) Contingency (Question 49)

S/N	NUMBER	PERCENTAGE
1.Agree	55	34.375%
2.Disagree	105	65.625%
Total	160	100%

TOTAL 160 100%

Fig. 4.49(a) Responses to Question 49. Fig. 4.49 (b) Contingency (Question 49).

SOURCE: Field Survey, June 2005

Majority of respondents (105) representing 65.625% disagreed that the penalties and sanctions imposed by the Monetary Authorities in Nigeria sufficiently deter and discourage unethical practices in Nigerian banks while only 55 (34.375%) agreed. Some banks are said to deliberately flout rules and regulations and prefer to pay the penalties imposed by the Monetary Authorities because of the huge profits they would make from such unethical and unprofessional business transactions and deals. The Monetary Authorities should therefore evolve other punitive measures that would be sufficient to deter unethical practices by ensuring that culprits are not only brought to book but that the financial gains from such transactions are wholly recouped as the penalty for such offences. This will make such profits and gains unattractive and no one would venture into these kinds of practices since there would be no benefit after all.

50. Information Technology (IT) has stemmed the high level of frauds in banks.

Table 4.50(a) Responses to Question 50. Table 4.50 (b) Contingency (Question 50).

S/N	NUMBER	PERCENTAGE	S/N	NUMBER	PERCENTAGE
1.SA	37	23.125%	1.Agree	74	46.25%

2.MA	37	23.125%
3.NAD	47	29.375%
4.MD	25	15.625%
5.SD	14	8.75%
TOTAL	160	100%

2.Disagree	86	53.75%
Total	160	100%

Fig. 4.50(a) Responses to Question 50. Fig. 4.50(b) Contingency (Question 50).

SOURCE: Field Survey, June 2005

The adoption of information technology in the banking industry in Nigeria has been very rapid and encouraging. Most of the banks now provide real time on-line banking services to their customers at many locations and points across the country.

51.Unprofessional bankers manage some banks in Nigeria.

Table 4.51(a) Responses to Question 51.

S/N	NUMBER	PERCENTAGE
1.SA	87	54.375%
2.MA	25	15.625%
3.NAD	16	10.0%
4.MD	19	11.875%

Table 4.51 (b) Contingency (Question 51).

S/N	NUMBER	PERCENTAGE
1.Agree	112	70%
2.Disagree	48	30%
Total	160	100%

5.SD	13	8.125%
TOTAL	160	100%

Fig. 4.51(a) Responses to Question 51. Fig. 4.51(b) Contingency (Question 51).

SOURCE: Field Survey, June 2005

There are still many unprofessional bankers who are managing some banks in Nigeria as revealed by this study. These unprofessional bankers have found their way into the industry either through appointments by wealthy individuals or are sitting on top of family owned banks in order to protect the interests of the families. One hundred and twelve (112) of the respondents representing 70% agreed that some unprofessional bankers are on top of some of Nigerian banks. Unprofessional bankers may have the tendency to overlook certain things as minor issues or look at issues in unprofessional ways and may not be very scrupulous in checking and scrutinizing transactions as their professional colleagues. Profitable but unethical transactions may be tempting and alluring to many unprofessional bankers. The professional bankers are not only under the laws of the country but must also abide by their Codes of Ethics. Consequently, the Central Bank of Nigeria must ensure that only professional bankers are allowed to manage Nigerian banks.

52.Professional bankers are at the helm of all sound banks.

Table 4.52 Responses to Question 52. Table 4.52(b) Contingency (Question 52).

S/N	NUMBER	PERCENTAGE
1.SA	29	18.125%
2.MA	65	40.625%

S/N	NUMBER	PERCENTAGE
1.Agree	94	58.75%
2.Disagree	66	41.25%

3.NAD	30	18.75%	Total	160	100%
4.MD	20	12.5%			
5.SD	16	10.0%			
TOTAL	160	100%			

Fig. 4.52(a) Responses to Question 52. Fig 4.52(b) Contingency (Question 52).

SOURCE: Field Survey, June 2005

Professional bankers who have been trained in practice of banking, management, international finance, law and investment are expected to perform better than their counterparts who do not have the same training and exposure. The performance of professional bankers should therefore be seen in the soundness and financial stability of the banks they manage, as ethics and professionalism would be combined to produce the soundness expected from such banks. Consequently, it would be a total failure if any professional bankers were on top of any banks, which are unsound. The survey therefore reveals that 94 respondents representing 58.75% agreed that professional bankers were at the helm of all sound banks while 66respondents making up 41.25% disagreed with that position. In effect this means that it is possible to have some sound banks which are not being managed by professional bankers but in most cases, unsound banks are headed by unprofessional bankers who due to lack of professional training and ethical behaviour, mismanage these banks through unethical practices and insider dealings.

53.The general public has lost confidence in banks due to unethical practices.

Table 4.53 Responses to Question 53. Table 4.53(b) Contingency (Question 53).

S/N	NUMBER	PERCENTAGE	S/N	NUMBER	PERCENTAGE
1.SA	29	18.125%	1.Agree	65	40.625%

2.MA	36	22.5%	2.Disagree	95	59.375%
3.NAD	51	31.875%	Total	160	100%
4.MD	19	11.875%			
5.SD	25	15.625%			
TOTAL	160	100%			

Fig. 4.53(a) responses to Question 53. Fig. 4.53(b) Contingency(Question 53).

SOURCE: Field Survey, June 2005

The Code of Ethics in the banking industry in Nigeria aims at sanitizing the industry and restoring confidence in the banking public. Apparently, this means that there had been confidence crises occasioned by unethical practices and professional ethics and professionalism must be enshrined in the system to correct the wrong behaviours and attitudes of some of the industry players. Unethical practices do not only create distortions in the banking industry but also erode depositors' confidence and weaken the payment system thereby denying the economy of the much needed savings required for investment and growth of the Nigerian economy. The survey however shows that unethical practices alone have not been responsible for the apparent loss of confidence in the Nigerian banking system as most of the respondents (95) representing 59.375% disagreed that the general public has lost confidence in banks due to unethical practices. This simply means that there are other factors contributing to this problem.

54. Compliance with the Code of Ethics is optional.

Table 4.54(a) Responses to Question 54. Table 4.54(b) Contingency (Question 54).

S/N	NUMBER	PERCENTAGE
1.SA	11	6.875%
2.MA	23	14.375%
3.NAD	23	14.375%
4.MD	22	13.75%
5.SD	81	59.625%
TOTAL	160	100%

S/N	NUMBER	PERCENTAGE
1.Agree	34	21.25%
2.Disagree	126	78.75%
Total	160	100%

Fig.4.54 (a) Responses to Question 54.

Fig. 4.54 (b) contingency (Question 54).

SOURCE: Field Survey, June 2005

The Code of Ethics is not a rule as such as it is distinct from laws and regulations. Compliance with Codes is usually not optional except even where the Code has not been codified into law. This means that members of a particular profession who are covered by the Code of Ethics can be sanctioned for violating the ethics of their profession, which they profess. Every profession therefore expects its members to adhere strictly to the tenets of the profession to ensure that the profession enjoys high regard in the community in which it operates. Expectedly, 78.75% of the survey population disagrees with the question that compliance with the code of ethics in the banking industry in Nigeria is optional. This means that all Nigerian bankers must as a matter of principle comply with the code. In as much as the Code is not synonymous with the laws and regulations enacted to protect the customers and the depositors, the Code actually assists in ensuring that the laws and regulations are obeyed thereby complementing the law by ensuring adherence and compliance to laws and statutory provisions. In this wise, there is a smooth blend of law and ethics, which should be seamless and interwoven for corporate governance and best industry and international practices.

55.The average Nigerian bank transacts business in an ethical manner.

Table 4.55 (a) Responses to Question 55.

S/N	NUMBER	PERCENTAGE
1.SA	20	12.5%
2.MA	48	30.0%
3.NAD	47	29.375%
4.MD	26	16.25%
5.SD	19	11.875%
TOTAL	160	100%

Table 4.55 (b) Contingency (Question 55).

S/N	NUMBER	PERCENTAGE
1.Agree	68	42.5%
2.Disagree	92	57.5%
Total	160	100%

Fig. 4.55(a) Responses to Question 55.

Fig. 4.55(b) Contingency (Question 55).

SOURCE: Field Survey, June 2005

Nigerian banks are still confronted with image problems even after the evolution of a Code of ethics for the industry. This is manifest from the responses to this question as a great majority of respondents (92) representing 57.5% feel that the average Nigerian bank does not transact business in an ethical manner while 68 respondents feel otherwise. In fact, when the responses are analysed beyond the contingency table, one sees that only 20 respondents (12.5%) strongly agreed that the average Nigerian bank transacts business in an ethical manner as 48 others (30.0%) simply agreed mildly to this research question. This is a deplorable situation, which the Sub-Committee on Ethics must address quickly.

CHAPTER FIVE

INTERPRETATION OF RESULTS

5.0 Introduction

In this chapter, the responses obtained from this survey, which were presented and analysed in the preceding chapter 4, will be discussed and the results would be interpreted. To do this, the Chi-Square Statistical Technique has been employed as a method of testing the hypotheses for this research. The outcome will determine the acceptance or rejection of the null hypotheses and the rejection or acceptance of the alternative hypotheses.

5.1.0 Interpretation of Results

The interpretation of results will be based on the research questions, test of the research hypotheses and the other questionnaires.

5.1.1 Research Question One

To what extent has the Code of Ethics been able to sanitize the Banking Industry?

The Code of Ethics was principally put in place to sanitize the banking industry and restore confidence in the banking public. The Bankers Committee, which was charged with this responsibility has not only produced an acceptable Code for the industry but has also created awareness amongst Nigerian banks about the existence of the Code by distributing copies to all banks. The Code has classified certain acts as unethical and banks/bankers are expected to be fully aware of these acts and shun them. Ethical awareness and the promotion of ethical behaviour through the adoption of the Code of Ethics have all combined to sanitize the banking industry in Nigeria.

5.1.2 Research Question Two

What is the enforcement mechanism put in place to ensure compliance with the Code?

The Chartered Institute of Bankers of Nigeria (CIBN) maintains a register of all registered members. It is therefore easy to discipline erring members who engage in unethical and unprofessional conducts. However, the Disciplinary Tribunal of the Institute can discipline only registered members of the Institute. It therefore strongly suggests that a large number of bank workers who are involved in unethical and unprofessional practices are excluded from the disciplinary measures put in place by the Institute.

Disciplinary measures taken against members include the removal of the name of the member from the register of registered members, submission of the names of de-listed members to the Central Bank of Nigeria and the Nigeria Insurance Deposit Corporation as well as Banks where the member is employed. The problem however is that the removal of the name of a professional banker from the register does not prevent the banker from carrying out his normal duties. This only means that the banker cannot parade as a professional banker but the disciplinary measure is not sufficient to prevent the culprit from doing banking duties unless the disciplinary action is severe enough to warrant termination of appointment or dismissal from service by the employer.

For member banks, the Code provides in section 6.0 the procedure to be adopted in applying sanctions. It states that "the fundamental principles of restoration, retribution, deterrent and equity will be given priority in the application of sanctions on all cases".

5.1.3 Research Question Three

What have been the roles of the Inspection Departments in the Banks?

The importance of the roles of Inspection Departments of Banks in ensuring that ethical practices are carried out in Banks cannot be overemphasized. The survey confirmed that Nigerian banks are inspected frequently to detect errors and routine lapses including frauds and irregularities for correction and remedy. Consequently, this helps to keep ethics in place as any violation of rules and guidelines is viewed with concern. The Inspectors are independent and report directly to the Board of Directors. They serve as the watchdog for the banks. In the process, some banks reward staffs that prevent frauds. Others do not. Whistle blowing should however be encouraged in all Nigerian banks in order to ensure sanity in the industry.

Inspectors are internal auditors and their audit functions include:

i) To examine and review the books of the bank to ensure that proper records have been kept in line with existing rules and regulations,

ii) To detect errors, malpractices, frauds, forgeries, irregularities and any shoddy transaction contrary to the tenants of banking,

iii) To ensure that the bank conforms to its internal policies as laid down in its manuals.

iv) To ensure that adequate and proper measures have been taken to protect and safeguard the banks assets and mitigate losses,

v) To report their findings to the Board of Directors of the bank.

Apart from internal audit, the Monetary Authorities i.e. The Central Bank of Nigeria (CBN) and The Nigeria Deposit Insurance Corporation (NDIC) also carry out routine examination of banks.

Gup (1991:168) writes that “Bank Examiners perform two types of examinations: one for safety and soundness, and the other for compliance. Safety and soundness examinations are based on CAMEL system. CAMEL is the Uniform Inter-agency Bank Rating System acronym for:

1) **C**apital adequacy,

2) **A**sset quality,

3) **M**anagement,

4) **E**arnings, and

5) **L**iquidity.”

Bank Examiners report their findings to the banks and expect the banks to take corrective action and remedy the areas that require correction. This is done to ensure that the bank remains safe sound. The Central Bank of Nigeria has powers to withdraw the license of any ailing bank. Inspectors therefore complement the roles of external auditors by ensuring strict compliance to rules and regulations that may lead to the closure of the bank. Penalties and sanctions must also be avoided and inspectors must see to it that the bank does not violate the guidelines from the Monetary Authorities. It is therefore the responsibility of Bank Inspectors to ensure that high ethical standards are maintained in their banks. Bank Inspectors must therefore be very professional in discharging their duties and exhibit good traits of ethical behaviour. In effect, they create ethical awareness and also promote it actively by living ethically at all times.

5.1.4 Research Question Four

Why is it that fraud is still rampant in the Banks?

The survey confirmed that unethical practices create distress in the banking industry and this agrees with the literature previously reviewed. Greed, insider abuse and mismanagement all lead to bank failures and the collapse and liquidation of many banks. For this reason, we found that there was a general consensus that professional bankers should be appointed to manage all banks in Nigeria-whether the bank is a private or public bank. Only professional bankers who can place the interests of their clients above their own interest are capable of being appointed into such positions to manage Nigerian banks as most of the frauds in Nigerian banks were due to insiders/collaborators. Some fraudulent people easily gain employment into banks with the intention to perpetrate frauds thereby increasing the scale of frauds in the banking system.

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These were responsible for the rising tide of frauds in the industry. Also, mismanagement and unethical practices have added to the distress in the banking industry. The important role played by the bankers committee in implementing the code of ethics by promoting ethical behaviour must be sustained to achieve the desired result. However, no bank should serve on the Sub-Committee on ethics so that there would be no compromise when unethical issues are reported to the Committee for consideration and arbitration

5.1.5 Research Question Five

Why are banks not adhering to the Code of Ethics in the Banking Industry?

We also found that unrestricted entry into the banking profession is not solely responsible for the ethics problem confronting the banking industry. That notwithstanding, it has in one way or the other complicated the matter, as the Chartered Institute of Bankers of Nigeria is arm strung in disciplining erring bank workers who are not members of the Institute.

We found out that banking is a profession and this is consistent with knowledge and views held by various authors on the banking profession. However, unlike other professions like Accountancy, Medicine and Nursing, entry is unrestricted and this has been the bane of the banking industry. Consequently, it is difficult if not impossible to enforce ethics in the industry where there are diverse players.

The Chartered Institute of Bankers of Nigeria is responsible for conducting the professional banking examination in Nigeria and certifying those that qualify as professional bankers. However, many bank workers do not sit for the professional examinations. Some sit for the examinations but do not actually pursue it to the end and as such do not qualify as professional bankers. As a result, there is a hybrid of bankers– professionals, lifetime students who register with the chartered Institute of Bankers of Nigeria and sit for the examinations every year, those who have made several attempts and have stopped attempting the examinations, as well as those who have not deemed it necessary to register with the Institute at all. This has compounded the ethics problem in the banking industry. The professional bankers who had ethics training and wish to abide by their Code of Ethics find it extremely difficult to operate in a banking environment where some people do not believe in ethics and ethical behaviours.

Amazingly, we found out that some banks were not aware of the existence of the Code of Ethics in the banking industry in Nigeria and as such, they do not adhere to the Code. Certainly, banks that were not aware of the existence of the Code of Ethics in the Banking Industry cannot adhere to it. For this reason, it has been recommended that concerted efforts should be made to create the necessary awareness of the Code so that all Nigerian banks would be fully conversant with and comply with the letters of the Code.

We found that there should be sufficient penalty for unethical practices to deter deviation from ethical behaviour, as compliance with the Code of Ethics is not optional but compulsory for all banks and bankers in Nigeria. Presently, banks get away with the payment of a small fine for violating Central Bank of Nigeria guidelines for banks whereas such violations would not be contemplated if the penalty outweighs the gains made from unethical transactions.

Following the deregulation of the Nigerian economy, many banks were licensed. As a result of the proliferation of banks, competition for customers and profit margins became very stiff and many banks put more emphasis on the profit margin rather than the ethics of the banking profession.

5.2 Proof of Hypotheses.

The Chi-square test has been used to test the hypotheses. Relevant questionnaires have been put together for this purpose. In some cases, the data were derived from the contingency tables constructed for this purpose.

5.2.1 Test of Hypothesis One

Hypothesis One

Null (Ho): Many banks in Nigeria are not aware of the code of ethics and professionalism in the banking industry.

Alternative (Hi): Many banks in Nigeria are aware of the code of ethics and professionalism in the industry.

This hypothesis will test the level of awareness of the code of Ethics and Professionalism in the banking industry in Nigeria. A contingency table based on questions 12 and 26 has been constructed to test this hypothesis.

Question 12 states that: Is your bank aware of the Code of Ethics and professionalism in the banking industry?

Question 26 states: The Sub-committee on Ethics and professionalism has classified certain conducts as unethical / unprofessional. Are you aware of these conducts?

H01	Q12	Q26	TOTAL
1.YES	155 [1]	122 [3]	277
2.NO	5 [2]	38 [4]	43
TOTAL	160	160	320

$$X^2 = \sum \frac{(Of - Ef)^2}{Ef}$$

WhereX^2 = Chi square

$\sum$ = Sum of

Of = Observed frequency

Ef =Expected frequency

The Observed frequency (Of) has been calculated for each cell as follows:

E1=277x160/320=138.5

E2=43x160/320=21.5

E3= 277x160/320=138.5

E4=43x160/320=21.5

The Expected frequency (Ef) has been calculated for each cell as follows:

E1=$(155-138.5)^2=(16.5)^2=272.25$

E2=$(5-21.5)^2=(-16.5)^2= 272.25$

E3= $(122-138.5)^2=(-16.5)^2=272.25$

E4= $(38-21.5)^2(16.5)^2=272.25$

Applying the formula $X^2 = \sum \frac{(Of - Ef)^2}{Ef}$

WhereX^2 = Chi square

$\sum$ = Sum of

Of = Observed frequency

Ef =Expected frequency

$X^2=\sum E1+E2+E3+E4$

$E1=272.25/138.5=1.97$

$E2=272.25/21.5=12.67$

$E3=272.25/138.5=1.97$

$E4= 272.25/21.5=12.67$

$X^2=\sum 1.97+12.67+1.97+12.67=29.28$

The next step is to determine the degree of freedom (df).

Df =(r-1)(c-1); where r = number of rows and c = number of columns.

From the contingency table, r = 2 and c =2.

Thus, DF = (2-1)(2-1)= 1x1=1

Assuming a 5% level of significance when the degree of freedom (df), = 1, the value of X^2 from the table of critical values =3.841

$X^2 > X^2$ tab ie29.28>3.841

DECISION

The calculated value of X^2 (29.28) exceeds the critical value X^2 from the table at 5% level of significance when the degree of freedom is 1, which is 3.841. We therefore reject the null hypothesis, which states that many banks in Nigeria are not aware of the Code of Ethics and

Professionalism in the Banking Industry in Nigeria and accept the alternative, which states that many banks in Nigeria are aware of the Code of Ethics and Professionalism in the Banking Industry in Nigeria.

5.2.2 Test of Hypothesis Two

Hypothesis Two

Null (Ho): All banks in Nigeria have not adopted the Code of Ethics and Professionalism in the banking industry.

Alternative (Hi): All banks in Nigeria have adopted the Code of Ethics and Professionalism in the banking industry.

This hypothesis will test whether all Nigeria banks have adopted the Code of Ethics and Professionalism in the banking industry and have been adhering to the Code as well as the extent to which banks have developed Codes of Ethics at the company level to guide their staff on ethical issues and problems within the Nigerian banking industry. This will provide an insight into whether the Code has helped to sanitize the banking industry as is it expected to accomplish and restore public confidence to Nigerian banks. To test hypothesis two, the following questions have been combined as a contingency for that purpose. These are questions 5,13,2 4, and 25.

Question 5 states thus: Are there core ethical values in your bank?

Question 13 states thus: Has your bank been adhering to the Code of ethics and Professionalism?

Question 24 states as follows: At the company level, do you have any business ethics code?

Question 25 states thus: If yes, is it embedded in your staff manual and are your staff aware of the business ethics code?

H02	Q5	Q13	Q24	Q25	TOTAL

YES	149[1]	148 [3]	145[5]	145[7]	587
NO	11 [2]	12 [4]	15[6]	15[8]	53
TOTAL	160	160	160	160	640

$$X^2 = \frac{\sum (Of - Ef)^2}{Ef}$$

WhereX^2 = Chi square

$\sum$ = Sum of

Of = Observed frequency

Ef =Expected frequency

The Observed frequency (Of) has been calculated for each cell as follows:

E1=587x160/640=146.75

E2=53x160/640=13.25

E3=587x160/640=146.75

E4=53x160/640=13.25

E5=587x160/640=146.75

E6=53x160/640=13.25

E7=587x160/640=146.75

E8=53x160/640=13.25

The Expected frequency (Ef) has been calculated for each cell as follows:

E1=$(149-146.75)^2$ =$(2.25)^2$ =5.06

$E2=(11-13.25)^2=(-2.25)^2=5.06$

$E3=(148-146.75)^2=(1.25)^2=1.56$

$E4=(12-13.25)^2=(-1.25)^2=1.56$

$E5=(145-146.75)^2=(-1.75)^2=3.06$

$E6=(15-13.25)^2=(1.75)^2=3.06$

$E7=(145-146.75)^2=(-1.75)^2=3.06$

$E8=(15-13.25)^2=(1.75)^2=3.06$

Applying the formula $X^2 = \sum \frac{(Of - Ef)^2}{Ef}$

Where X^2 = Chi square

$\sum$ = Sum of

Of = Observed frequency

Ef =Expected frequency

$X^2=\sum E1+E2+E3+E4+E5+E6+E7+E8$

$E1=5.06/146.75=0.03$

$E2=5.06/13.25=0.38$

$E3=1.56/146.75=0.01$

$E4=1.56/13.25=0.12$

$E5=3.06/146.75=0.02$

$E6=3.06/13.25=0.23$

$E7=3.06/146.75=0.02$

$E8=3.06/13.25=0.23$

$X^2=\sum 0.03+0.38+0.01+0.12+0.02+0.23+0.02+0.23=1.04$

The next step is to determine the degree of freedom (df).

df =(r-1)(c-1); where r = number of rows and c = number of columns.

From the contingency table, r = 2 and c =4.

Thus, df = (2-1)(4-1)= 1x3=3

Assuming a 5% level of significance when the degree of freedom (df), = 3, the value of X^2 from the table of critical values =7.815

$X^2 < X^2$ tab ie1.04< 7.815

DECISION

The computed value of X^2 (1.04) is less than the tabulated value of X^2 from the table at 5% level of significance when the degree of freedom is 3, that is 7.815. We there accept the null hypothesis, which states that all banks in Nigeria have not adopted the Code of Ethics and Professionalism in the banking industry in Nigeria and reject the alternative hypothesis, which states that all banks in Nigeria have adopted the Code of Ethics and Professionalism in the banking industry in Nigeria.

5.2.3 Test of Hypothesis Three

Hypothesis Three

Null (Ho): Professional bankers do not manage many banks in Nigeria.

Alternative (Hi) Professional bankers manage many banks in Nigeria.

This hypothesis will determine whether the top management staff of Nigerian banks are professional bankers and can provide the required ethical expectations and professional leadership for the banking industry or whether unprofessional bankers are in control of Nigerian banks. As such, a contingency table based on questions 18, 19, 20, 21, 38 and 52 has been constructed for testing this hypothesis.

Question 18-Is your Managing Director Chief Executive Officer a Professional Banker?

Question 19-All the Top Management Staff in our bank are Professional Bankers.

Question 20-There are many Professional Bankers in our employment.

Question 21-There are many Unprofessional bankers in our employment.

Question 38-Professional bankers should be appointed to manage all banks.

Question 52-Professional Bankers are at the helm of all sound banks in Nigeria.

H03	Q18	Q19	Q20	Q21	Q38	Q52	TOTAL
YES/AGREE	91[1]	58[3]	99[5]	99[7]	147[9]	94[11]	588
NO/DISAGREE	69[2]	102[4]	61[6]	61[8]	13[10]	66 [12]	372
TOTAL	160	160	160	160	160	160	960

$$X^2 = \sum \frac{(Of - Ef)^2}{Ef}$$

WhereX^2 = Chi square

$\sum$ = Sum of

Of = Observed frequency

Ef =Expected frequency

The Observed frequency (Of) has been calculated for each cell as follows:

$E1=588X160/960=98$

$E2=372X160/960=62$

$E3=588X160/960=98$

$E4=372X160/960=62$

$E5=588X160/960=98$

$E6=372X160/960=62$

$E7=588X160/960=98$

$E8=372X160/960=62$

$E9=588X160/960=98$

$E10=372X160/960=62$

$E11=588X160/960=98$

$E12=372X160/960=62$

The Expected frequency (Ef) has been calculated for each cell as follows:

$E1=(91-98)^2 = (-7)^2 =49$

$E2=(69-62)^2 =(7)^2 =49$

$E3=(58-98)^2=(-40)^2 =1600$

$E4=(102-62)^2 =(40)^2 =1600$

$E5=(99-98)^2 =(1)^2 =1$

$E6=(61-62)^2 =(-1)^2 =1$

$E7=(99-98)^2 =(1)^2 =1$

$E8=(61-62)^2=(-1)^2=1$

$E9=(147-98)^2=(49)^2=2401$

$E10=(13-62)^2=(-49)^2=2401$

$E11=(94-98)^2=(-4)^2=16$

$E12=(66-62)^2=(4)^2=16$

Applying the formula $X^2 = \sum \frac{(Of - Ef)^2}{Ef}$

Where X^2 = Chi square

$\sum$ = Sum of

Of = Observed frequency

Ef =Expected frequency

$X^2=\sum E1+E2+E3+E4+E5+E6+E7+E8+E9+E10+E11+E12$

E1=49/98=0.50

E2=49/62=0.79

E3=1600/98=16.33

E4=1600/62=25.81

E5=1/98=0.01

E6=1/62=0.02

E7=1/98=0.01

E8=1/62=0.02

E9=2401/98=24.50

E10=2401/62=38.73

$E11=16/98=0.16$

$E12=16/62=0.26$

$X^2=0.50+0.79+16.33+25.81+0.01+0.02+0.01+0.02+24.50+38.73+0.16+0.26=107.14$

The next step is to determine the degree of freedom (df).

Df =(r-1)(c-1); where r = number of rows and c = number of columns.

From the contingency table, r = 2 and c =6.

Thus, DF = (2-1)(6-1)= 1x5=5

Assuming a 5% level of significance when the degree of freedom (df), = 5, the value of X^2 from the table of critical values =11.070

$X^2 > X^2$ tab ie107.14>11.070

DECISION

The calculated value of X^2 (107.14) exceeds the critical value X^2 from the table at 5% level of significance when the degree of freedom is 1, which is 11.070. We therefore reject the null hypothesis, which states that professional bankers do not manage many banks in Nigeria and accept the alternative, which states that professional bankers manage many banks in Nigeria.

5.2.4 Test of Hypothesis Four

Hypothesis Four

Null (Ho): Many banks in Nigeria do not encourage professional training amongst their staffs.

Alternative (Hi): Many banks in Nigeria encourage professional training amongst their staffs.

Hypothesis four will test whether banks encourage professional training amongst their staff. Such encouragements in the form of refund of professional tuition and examination fees as well as proper recognition of professional qualifications by employers can motivate and spur their staff to develop them-selves professionally to cope with the challenges of providing professional banking services to their customers. Questions 7, 17 and 37 have been constructed into a contingency table for the purpose of testing this hypothesis.

Question 7-Does your bank encourage professional training?

Question 17-Our bank identifies with the Chartered Institute of Bankers of Nigeria.

Question 37- All banks should encourage professional banking training.

H04	Q7	Q17	Q37	TOTAL
YES/AGREE	144[1]	136[3]	156[5]	436
NO/DISAGREE	16[2]	24[4]	4[6]	44
TOTAL	160	160	160	480

$$X^2 = \sum \frac{(Of - Ef)^2}{Ef}$$

WhereX^2 = Chi square

$\sum$ = Sum of

Of = Observed frequency

Ef =Expected frequency

The Observed frequency (Of) has been calculated for each cell as follows:

$E1=436X160/480=145.33$

$E2=44X160/480=14.67$

$E3=436X160/480=145.33$

$E4=44X160/480=14.67$

$E5=436X160/480=145.33$

$E6=44X160/480=14.67$

The Expected frequency (Ef) has been calculated for each cell as follows:

$E1=(144-145.33)^2=(-1.33)^2=1.77$

$E2=(16-14.67)^2=(1.33)^2=1.77$

$E3=(136-145.33)^2=(-9.33)^2=87.01$

$E4=(24-14.67)^2=(9.33)^2=87.01$

$E5=(156-145.33)^2=(10.67)^2=113.85$

$E6=(4-14.67)^2=(-10.67)^2=113.85$

Applying the formula $X^2 = \sum \frac{(Of - Ef)^2}{Ef}$

Where X^2 = Chi square

$\sum$ = Sum of

Of = Observed frequency

Ef =Expected frequency

$X^2=\sum E1+E2+E3+E4+E5+E6$

$E1=1.77/145.33=0.01$

$E2=1.77/14.67=0.12$

$E3=87.01/145.33=0.60$

$E4=87.10/14.67=5.93$

$E5=113.85/145.33=0.78$

$E6=113.85/14.67=7.76$

$X^2=\sum E1+2E+3E+E4+E5+E6$

$X^2=0.01+0.12+0.60+5.93+0.78+7.76=15.20$

The next step is to determine the degree of freedom (df).

Df =(r-1)(c-1); where r = number of rows and c = number of columns.

From the contingency table, r = 2 and c =3.

Thus, DF = (2-1)(3-1)= 1x2=2

Assuming a 5% level of significance when the degree of freedom (df), = 2, the value of X^2 from the table of critical values =5.991

X^2 >X^2 tab ie15.20>5.991

DECISION

The calculated value of X^2 (15.20) exceeds the critical value X^2 from the table at 5% level of significance when the degree of freedom is 2 that is 5.991. We therefore reject the null hypothesis, which states that many banks in Nigeria do not encourage professional training amongst their staff and accept the alternative, which states that many banks in Nigeria encourage professional training amongst their staff.

5.2.5 Test of Hypothesis Five

5. Hypothesis Five

Null (Ho): Many banks in Nigeria are not distressed due to unethical practices and mismanagement.

Alternative (Hi): Many banks in Nigeria are distressed due to unethical practices and mismanagement.

This hypothesis will test the distress syndrome in the banking industry occasioned by unethical practices, mismanagement, insider abuses, and frauds. A contingency table based on questions 35, 43, 46, and 47 has been built to test this hypothesis.

Question 35-Unethical practices create distress in the banking industry.

Question 43-Most of the frauds in the banks are due to insiders/collaborators.

Question 46-Many banks in Nigeria are distressed due to unethical practices.

Question 47-Many banks in Nigeria are distressed due to mismanagement.

H05	Q35	Q43	Q46	Q47	TOTAL
AGREE	129[1]	115[3]	115[5]	138[7]	497
DISAGREE	31[2]	45[4]	45[6]	22[8]	143
TOTAL	160	160	160	160	640

$$X^2 = \sum \frac{(Of - Ef)^2}{Ef}$$

WhereX^2 = Chi square

$\sum$ = Sum of

Of = Observed frequency

Ef =Expected frequency

The Observed frequency (Of) has been calculated for each cell as follows:

E1=497X160/640=124.5

E2=143X160/640=35.75

E3=497X160/640=124.5

E4=143X160/640=35.75

E5=497X160/640=124.5

E6=143X160/640=35.75

E7=497X160/640=124.5

E8=143X160/640=35.75

The Expected frequency (Ef) has been calculated for each cell as follows:

$E1=(129-124.5)^2=(4.5)^2=20.25$

$E2=(31-35.75)^2=(-4.75)^2=22.56$

$E3=(115-124.5)^2=(-9.5)^2=90.25$

$E4=(45-35.75)^2=(9.25)^2=85.56$

$E5=(115-124.5)^2=(-9.5)^2=90.25$

$E6=(45-35.75)^2= (9.25)^2 =85.56$

$E7=(138-124.5)^2 =(13.5)^2 =182.25$

$E8=(22-35.75)^2 =(-13.75)^2 =189.06$

Applying the formula $X^2 = \sum \frac{(Of - Ef)^2}{Ef}$

Where X^2 = Chi square

$\sum$ = Sum of

Of = Observed frequency

Ef =Expected frequency

$X^2=\sum E1+E2+E3+E4+E5+E6+E7+E8$

$E1=20.25/124.5=0.16$

$E2=22.56/35.75=0.63$

$E3=90.25/124.5=0.73$

$E4=85.56/35.75=2.39$

$E5=90.25/124.5=0.73$

$E6=85.56/35.75=2.39$

$E7=182.25/124.5=1.46$

$E8=189.06/35.75=5.29$

$X^2=0.16+0.63+0.73+2.39+0.73+2.39+1.46+5.29=13.78$

The next step is to determine the degree of freedom (df).

df =(r-1)(c-1); where r = number of rows and c = number of columns.

From the contingency table, r = 2 and c =4.

Thus, df = (2-1)(4-1)= 1x3=3

Assuming a 5% level of significance when the degree of freedom (df), = 3, the value of X^2 from the table of critical values =7.815

$X^2 > X^2$ tab ie13.78>7.815

DECISION

The calculated value of X^2 (13.78) exceeds the critical value X^2 from the table at 5% level of significance when the degree of freedom is 3 that is 7.815. We therefore reject the null hypothesis, which states that many banks in Nigeria are not distressed due to unethical practices and mismanagement and accept the alternative, which states that many banks in Nigeria are distressed due to unethical practices and mismanagement.

5.3.0 Summary

In this chapter, the results of the survey have been discussed and the hypotheses tested based on the data generated from the respondents.

CHAPTER SIX

SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

This chapter provides the summary of this study, summary of findings, recommendations and conclusions.

6.1 Summary of the Study

The objective of this study was to find out the level of awareness and adoption of the Code of Ethics and Professionalism in the Banking Industry in Nigeria. The study covered all the 89 Deposit Taking Banks in Nigeria as well as the Regulatory Authorities for the Banking Industry namely the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC). Due to the fact that the population is too large, it was subjected to a random sampling. Two hundred (200) questionnaires were administered. Out of this number, one hundred and sixty (160) responses were received representing a response rate of eighty percent (80%). These responses however covered the entire banking industry and were considered sufficient and quiet representative. A total of fifty- five (55) Research Questions were used for this study, which were divided into two parts. Part 1 consists of thirty (30) questions with the options of Yes or No while Part 2 consists of 25 questions with five options ranging from Strongly Agree, Mildly Agree, Neither Agree nor Disagree, Mildly Disagree to Strongly Disagree.

The data derived from these responses have been analysed using percentages and the frequency distribution of responses. Contingency tables have been constructed to drive home the opinions of the respondents as well as to test the hypotheses developed for this research. Tables and Charts as shown in Chapter Four have depicted these opinions.

The Chi-square technique was used to evaluate the frequency of responses and to test whether these empirical observations differ significantly from the assumptions made. This technique, which is universally accepted, was used to test the hypotheses presented in Chapter Five.

6.2 Summary of Findings

The overall empirical evidence generated from this study reveals that many Nigerian Banks and Bankers are aware of the Code of Ethics and Professionalism in the Banking Industry but not all Nigerian banks have adopted the Code. This implies that the industry is not fully sanitized in order to curb it of unethical and unprofessional practices for restoration of public confidence in the system for efficient financial intermediation and for the economic development of the country. The Sub-Committee on Ethics of the Bankers Committee and The Chartered Institute of Bankers of Nigeria have made tremendous efforts at sanitizing the banking industry in Nigeria but the banking industry is not yet completely free from unethical practices and more efforts need to be intensified to cultivate and promote ethics and the desire for self-regulation by ensuring that all Nigerian banks adopt the Code of Ethics in the banking industry.

There is general awareness of the code of ethics in the banking industry in Nigeria and the level of adoption and adherence to the code is high. This has helped to reduce the number of banks being sanctioned by the Central Bank of Nigeria for violating its rules and regulations. Where sanctions were imposed, they were not mainly for unethical practices but for some other routine lapses like late rendition of statutory returns.

Many Nigerian banks identify with the Chartered Institute of bankers of Nigeria as the Institute speaks for the banking industry in Nigeria.

The study also revealed that many professional bankers are at the helm of affairs of most of Nigerian banks and are capable of providing ethical leadership for the banking profession. The study further showed that many Nigerian banks encourage professional training amongst their staff in order to prepare them for the challenges ahead and ensure that there is adequate manpower to carry on as successful business entities with ethical values which can provide modern and efficient banking services to the large banking public in Nigeria. A good proportion of Bank Chief Executives in Nigeria are professional bankers but not all top management staff of banks are professional bankers. There were however many professionals at lower levels just as many others were ordinary bank workers.

This study also confirmed that fraud and forgeries are on the increase in the banking industry in Nigeria as has been reported by both the Central Bank of Nigeria and the Nigeria Deposit Insurance Corporation. Like Guy pointed out, there will continue to be frauds in banks because that is where the money is kept. Banks can only protect themselves against frauds and forgeries by being ethical and ensuring that there are sufficient checks and balances put in place to frustrate frauds and mitigate losses.

We also found out that most of the frauds in the banking industry were due to insiders/ collaborators and this has materially affected the level of ethical expectations from Nigerian banks as majority of respondents who are bankers themselves observed that Nigerian banks/bankers have not lived up to their ethical expectations.

The study revealed that banking is a profession but entry into the banking profession in Nigeria is generally unrestricted and so it is difficult to enforce ethics as the industry has not been able to sieve out professional from non-professional bankers for the purpose of sanctions for unethical practices. Unrestricted entry into the banking profession in Nigeria is partially responsible for the unethical practices in the banking industry.

We also found out that there is the yearning for the legislation of ethics contrary to the views expressed in the literature review that ethics cannot be legislated as ethics is morality and one cannot legislate morality. In spite of this, we found out that many respondents want Ethics to be strictly enforced in banks by the Central Bank of Nigeria and this should be done by legislation. In fact, it is often said that the divide between ethics and law is thin and it is left to the profession to examine the law and fine-tune what is its professional ethics. The snag however is that ethics is morality and one cannot legislate morality Ethics and morality are distinct from the law and shape peoples behaviour whereas the law must be obeyed and thus enforceable.

We also found out that majority of Nigerian banks have ethical codes at the company level and consequently have ethical values which are being practiced by both management and staff of these banks. These are embedded into the staff manuals and are accessible by all members of staff.

We also found out that there are core ethical values in Nigerian banks and this is consonance with World Best Practices especially the Code of Corporate Governance. Added to this is the discovery that most Nigerian banks encourage ethics training and this should be sustained. Ethics training is the pivot from which ethical awareness is spread amongst staff of any organization, banks inclusive.

Ethics training is also receiving the desired attention in virtually all the banks in Nigeria as the banks encourage professional training amongst their staff. The survey however indicated that the ethics training in The Chartered Institute of Bankers of Nigeria (CIBN) syllabus for the professional examination of the Institute is not sufficient to provide the ethics awareness and knowledge required for the banking profession Each bank should take up ethics training as part its in-house training programme in order to provide its staff with the required skills and knowledge of ethics and how to handle ethical situations when they arise in work situations.

The survey shows that Nigerian banks are being inspected regularly (some even half-yearly) to detect and correct unethical practices, unlawful transactions and other routine anomalies to ensure that the banks remain safe and sound for the banking public and the economy at large.

Furthermore, the survey shows that many banks reward whistle blowers who detect and report frauds to management. This encourages the staff to be ethical and serve as a check on the activities of other members of staff who may have the intention to commit fraud or connive with fraudsters to defraud the bank or perpetrate some unethical transactions which are either unlawful or against company policy.

The survey also revealed that the Prudential guidelines has stemmed advances abuses of unethical and unprofessional lending in Nigerian banks as banks have been forced to be more professional in loan and credit appraisals; failing which they have to make provisions should the loans and credits turn bad and become non-performing assets. Also, few banks were suspended from the Clearing House, an indication that ethical banking is gradually evolving in Nigeria. But that notwithstanding, the Audited Accounts of some banks still revealed violations of statutory regulations and provisions of the Companies and Allied Matters Act (CAMA), and appropriate penalties were imposed on the defaulting banks.

The survey affirmed that ethics is morality and should be taught at all levels to equip all professionals with ethics training and orientation as well as exposure to ethical decision-making in difficult situations of real life since banking is based on Trust, Transparency and Confidentiality.

For this reason, many banks in Nigeria are distressed due to unethical practices and mismanagement. The report also revealed that while unqualified and unprofessional bankers are managing distressed banks, all sound banks have the benefit of sound professional management based on ethical commitment and corporate governance.

As we approach the deadline of 31/12/2005 for the minimum re-capitalization of N25 billion for all Nigerian banks, either through new share issues or mergers and acquisitions, “Mega banks” are expected to appear on the Nigerian banking scene by January 1,2006. The Nigerian banking industry must therefore be, as a matter of necessity, more ethical and professional in discharging its fiduciary functions under the consolidated banking environment.

On the issue of contravention of CBN guidelines, we found out that the result of this survey is at variance with the literature review. This is because in spite of the opinions expressed by the respondents that there were no violations in their banks' Audited Accounts, the literature review indicated that there were several violations of BOFIA and other Guidelines. Samples of such violations were actually highlighted in the Annual Reports as required by law. All violations were penalised by the CBN and NDIC.

We also found out that most Nigerian banks have business ethics codes, which were embedded in staff manuals, and staff were aware of such codes. Moreover, there were general awareness of the unethical conducts classified in the Code of Ethics and professionalism in the banking industry in Nigeria. This has resulted to fewer sanctions applied to banks by the Sub-Committee on Ethics. In essence, it implies that Nigerian banks have been adhering to the Code of Ethics. Consequently, the Sub-Committee on ethics has helped to sanitize the banking industry in Nigeria.

Moreover, we found that since banking is based on trust, confidentiality and transparency, ethics should be taught at all levels of learning right from childhood up to the point of employment and even during the course of employment. This character education helps in preparing the leaders for tomorrow to handle complex ethical issues and problems later in life.

Also, the survey pointed out that Information Technology (IT) has not helped to stem the high level of frauds in the banking industry in Nigeria because the frauds were not computer related frauds and as such were perpetrated through other means, precisely, connivance.

All said and done, the general public has not lost confidence in Nigerian banks due to the unethical practices in the banking industry in Nigeria. This is an indication that the introduction of the Code of Ethics in the Banking Industry in Nigeria has helped to sanitize and restore confidence in the industry. The Sub-Committee on Ethics seems to have done its job in spite of the fact that the average Nigerian bank does not transact business in an ethical manner.

6.3 Conclusions

In conclusion, since banking is based on confidence, transparency and confidentiality, Ethics and Professionalism should be seen as the hallmarks of a banker and the same should apply in the Nigerian context. The job of a banker requires ethical behaviour and competence. It is not sufficient to have a code of ethics. The Code must be:

(i) Readily available to all bankers to promote ethical awareness;

(ii) Address all ethical issues and problems for proper professional guidance;

(iii) Evaluated frequently to ensure that it is current and not stale;

(iv) Enforceable to ensure conformity by all professional bankers; and

(v) Readily adopted by all banks.

All Nigerian banks must therefore see ethics as part of their core management functions and provide ethics training in their organisations. All Nigerian banks should have corporate cultures for guidance of employees and this should be built and sustained for the benefit of the banks and their employees. Ethical practices will certainly eliminate distress in the banking industry and bank failures in the economy, thereby restoring confidence in the payment system. Thus, the objective of having a code of ethics would have been achieved when there is a strong commitment to good banking practice, which leads to a high level of adherence to sound banking practice in order to uphold the integrity of the banking profession and instil confidence in the banking system.

6.4 Recommendations

1.There is still need to promote greater awareness of Ethics and the Code of Ethics in the Nigerian Banking Industry, as this is the best way of promoting ethical behaviour. The Chartered Institute of Bankers of Nigeria should step up and sustain enlightenment campaigns for ethical behaviour in the banking industry through seminars, workshops, newsletters, journals, magazines and other publications. In particular, the Compulsory Continuing Development Programme (CCDP) should be mandatory for all employers to sponsor professional bankers in their employment for the CCDP programme. The Monetary Authorities should join in this campaign for ethics.

2.Nigerian Banks should ensure strict observance of the Code of Ethics on a continuous basis in order to forestall the banking failures of the 1950's and the 1990's and ensure that all banking transactions are carried out in ethical and transparent manners.

3.There is need to promote professionalism in the banking industry and this should be achieved by ensuring that all bankers register with the Chartered Institute of Bankers of Nigeria, which has the responsibility for professional training of Bankers in Nigeria.

4.Professionals should manage all Banks in Nigeria and the Monetary Authorities should ensure that only professional bankers are appointed to top management positions in Nigerian banks.

5.All Nigerian banks should have a Code of Ethics at the company level to guide staff on ethical issues and problems and how to solve ethical dilemmas.

6 Top management staff of Banks should provide ethical leadership so that they can set the standard for their banks and make sure that all staff in the bank observes the standard. Ethical leadership borne out of ethical commitment is a sin quo non-for all Nigerian banks.

7 All Nigerian banks must have a clear ethics policy and this should be embedded into the staff manual and distributed to all staff for personal guidance in ethical situations. This should be subjected to constant discussions at staff meetings and periodic reviews.

8.All Nigerian Banks should register with the Chartered Institute of Bankers of Nigeria and actively participate in all its programmes and activities so that all banks would have a common place for formulating policies as it affects the banking industry as the Institute represents the banking industry at many fora with the Nigerian Government in the formulation of Fiscal and Monetary Policies.

9.All Nigerian Banks must collectively adopt the Code of Corporate Governance and ensure that there is transparency in the industry in order to restore public confidence in the Nigerian banking industry.

10.Ethics training should be made compulsory for all professional bankers and all other bank workers in the banking industry in Nigeria.

11.Ethics training should be introduced as a course in all tertiary institutions (universities, Polytechnics& Colleges of Education) in Nigeria for early exposure to ethics and ethical behaviours amongst students and leaders of tomorrow so that they can appreciate the benefits of ethics and corporate governance early in life. This is also aimed at providing the youth with proper character education, as the youths of today will become the leaders of tomorrow.

12.All Nigerian banks should have a code of conduct for the staff in line with Section 19 of Banks and Other Financial Institutions Act of 1991(BOFIA).

13.Special attention should be given to fraudulent cases by the courts for quick dispensation of justice in order to stem the trend of bank frauds and unethical practices in Nigerian banks.

14.The Regulatory Authorities should ensure that penalties and sanctions imposed on banks for unethical practices and for outright violation of rules and regulations are stiff and sufficient to deter such violations and discourage unethical behaviours in future.

15.Bankers should be well remunerated to ensure that they remain ethical in all their jobs and do not fall easy prey for fraudulent temptations in view of their fiduciary function and the fact that their stock in trade is money.

16.Each Bank should have a good and reliable Board of Directors capable of providing and sustaining purposeful ethical leadership and sound management devoid of conflict of interests, mismanagement and insider abuses.

17. The Chartered Institute of Bankers of Nigeria should liaise with other professional bodies in Nigeria and partner with them on how to tackle the ethics problem in the country collectively, as individual industry cases may be helpful but may not be fully effective if other sectors of the economy are not involved in promoting ethics in their professions.

18. All banks in Nigeria should include ethics training as part of their in-house courses to promote ethics awareness and ethical practices in addition to the ethics training programme under the professional banking examination of the Chartered Institute of Bankers of Nigeria. Ethics should also be freely discussed at any available opportunity to drive down the fact that the banks are ethical and every employee should be ethical too.

19 With the consolidation of the banking industry in Nigeria around the corner and the expected emergence of Regional Banks, Nigerian banks should imbibe ethical practices in order to be able to participate actively in the global banking village and compete favourably with other foreign banks

20.Nigerian banks must also reposition themselves to tackle the challenges of the New Capital Accord or Basle 11 Accord, the on-going reforms and consolidation in the banking industry notwithstanding to enable them compete competitively in the global market like any other bank in the world.

6.5 Implications for Further Research

The implications for further Survey of Ethics in the Nigerian Banking Industry is imperative for the following reasons:

i) The survey was conducted at a time when the Nigerian banking Industry was undergoing major reforms, especially the re-capitalization of the capital base from N2 billion to N25 billion with a deadline of 31/12/2005. Consequently, the consolidation process, which requires the 89 Deposit Taking Banks to enter into mergers and acquisitions, as well as other capital market operations like Public Offers for sales subscriptions and Rights Issues have created a lot of implications for banks. The number of Deposit Taking Banks on which this survey is based is expected to reduce from 89 to an estimated figure of 25 banks "Mega banks" by the end of the consolidation process on 31/12/2005.There would be need to carry out another survey of Ethics in the Nigerian banking Industry after the consolidation process to evaluate the ethics of the Mega banks after the "marriages" as the mega banks would certainly have a composition of different ethical values, different business processes, different organizational ethics, training and work processes as well as employee complexes.

ii) Case studies could also be carried out in which the survey would concentrate on one Mega bank and highlight the organizational ethics of that Mega Bank in relation to the Code of Ethics in the Banking Industry.

iii) There could also be a comparative study of two (2) or more Mega Banks to determine the level of their ethical compliance in their organizations in terms of the Code of Ethics and Professionalism in the Banking Industry in Nigeria.

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Appendix I

Code of Ethics and Professionalism in the Banking and Finance Industry in Nigeria (Reproduced with the permission of the Sub-committee on Ethics & Professionalism) of the Bankers Committee)

1.0 Introduction

This pamphlet contains a list of acts categorized as unethical and the framework for addressing such practices in the business of banking and finance.

2.0 Objectives of The Sub-committee

(i) To ensure highest level of adherence to sound and generally acceptable banking practice.

(ii) To ensure a strong commitment to good banking practice

(i) To uphold the integrity of the profession in order to instil public confidence in the banking system.

3.0 Duties of The Sub-committee

(i) To develop standard codes of banking practice and professional ethics.

(ii) To consider complaints from the public and from within the banking system.

(iii) To consider complaints by banks against the regulatory authorities or other banks and vice versa.

(iv) Recommend sanctions on any erring members to the Bankers” Committee.

4.0 Unethical Practices / Unprofessional conduct in Banks

Certain conducts are classified unprofessional / unethical under the following headlines which include but are not limited to:

(i) Conflict of Interest

(a) Engaging in extraneous activities which compete / interfere with or constrain a bank’s primary responsibility.

(b) Colluding with third parties to inflate contracts.

(ii) Abuses of Trust / Office

a. Abuse of position and taking advantage of the institution to enrich oneself.

b. Inappropriate and unauthorized use of foreign exchange, for example, using customers’ names to procure foreign exchange without their request.

c. Exploiting the ignorance of unsuspecting customers through excessive / unwarranted charges or unnecessary commissions to boost income.

d. Recommending for employment by a bank a person known to be of bad character or doubtful integrity.

e. Collusion with the banks’ customers to divert credit facilities for unauthorized purposes.

(iii) Full Disclosure

a. Lack of appropriate disclosure in dealing with other players and customers in the market place.

b. Understating the volume of deposits in order to evade insurance premium, mandatory cash reserve requirements etc.

c. Imposition of previously undisclosed charges on customers' accounts.

d. Failure to submit report on dismissed / terminated staff to Central Bank of Nigeria and allowing proven fraudulent staff to resign.

e. Failure to submit report on eligible credit to the CBN for CRMS system.

(iv) Misuse of Information

a. Misuse, manipulation or non- disclosure of material information on operation supplied to regulatory Authorities, in order to derive some benefit or avoid liability.

b. Running down competitors through deliberate misinformation.

c. Misuse of various financial derivatives.

d. Deliberate rendition of inaccurate returns to the Regulatory Authorities with intent to mislead.

e. Misuse of confidential information gained through banking operations.

(v) Insider Abuse

a. Meeting re-capitalization requirement other than by actual injection of fresh / genuine funds.

b. Improper granting of loans to directors, insiders and political interests.

c. Insiders' conversion of bank's resources to purposes other than business interest.

d. Granting of unsecured credit facilities to Directors in contravention of the provisions of Banks And Other Financial Institutions Act (BOFIA)

e. Granting of interest waivers on non-performing insider credit without Central Bank of Nigeria's (CBN) prior approval as required by BOFIA.

f. Diversion of bank earnings through the use of subsidiaries or "secret accounts" to deny the bank of legitimate earnings.

(vi) Offer and Acceptance Of Gratification.

(a) Offering / accepting gratification to / by the regulator as an inducement to waive the imposition of penalties arising from failure to comply with the laws or regulation.

(b) Applying uneven standards / imposing unfair penalties by the regulator with the intention to induce gratification.

(c) Offering / acceptance of gratification to / from customers and potential customers to do business.

(d) Aiding a customer to evade Tariffs and taxes and to make unwarranted earnings.

(vi) Non-conformity with Standards and Guidelines

a. Non-conformity with Nigerian accounting standards and Central Bank of Nigeria prudential guidelines in the preparation of financial statements, resulting in incomplete or false information.

b. Preparation of multiple financial statements in order to mislead the monetary and tax authorities.

c. Refusal to recognize inherent risks in the portfolio of contingent liabilities.

(vii) Association

a. Bankers should not knowingly associate with or do business with people of doubtful character.

(viii) Aiding and Abetting

a. Aiding and abetting the failure of a new staff to meet the financial obligation to a previous employer.

b. Employing new staff without obtaining suitable reference.

5.0 Framework / Procedure For Handling Reported Cases.

The Sub-Committee shall apply the following procedure for handling cases brought before it:

(i) All complaints / reports should be submitted to the Secretariat of the Sub-Committee i.e. The CIBN.

(ii) Such complaints are to be acknowledged immediately. The letter of acknowledgement should include a clause prohibiting all parties to any issue before the Sub-Committee from commenting on the matter in the mass media pending the determination of the issue / case / matter.

(iii) The Secretariat shall request for response from the defendant or other parties mentioned in a petition before it.

(iv) The Secretariat shall collate the response from the complainant and defendant.

(v) The Secretariat shall inform the Chairman of the Sub-Committee on receipt of such cases.

(vi) All cases (with the responses and other documentations received) are to be referred to an Investigating Panel of five members namely:

-Financial Institutions Training Centre -Chairman

-The Chartered Institute of Bankers of Nigeria -Secretary

-Three (3) other members to be rotationally selected in consultation with the chairman of the main Sub-committee.

(vii) The Investigating Panel is free to choose any or a combination of the following organs to assist in conducting the investigation i.e.

- CIBN Investigating Panel.
- CBN / NDIC Bank Examination Directories.
- Committee of Chief Inspectors.
- Committee of Money Market Association.

(viii) The Secretariat shall report back to the Sub-Committee on the recommendations of the Investigating Panel.

(ix) The Sub-Committee shall consider and take necessary actions on the recommendations of the Investigating Panel.

(x) The main Sub-Committee shall report its decisions to the Bankers' Committee for information purposes.

(xi) In the event that any case may exceed 3 months, the Sub-Committee should be informed accordingly.

6.0 Sanctions

The Sub-Committee shall apply the following sanctions:

(i) The fundamental principles of restoration, retribution, deterrent and equity will be given priority in the application of sanctions on all cases.

(ii) Where offences are clear and contradict existing regulatory guidelines e.g. Central Bank of Nigeria (CBN) guidelines, CBN sanctions will apply.

(iii)) For offences with no precedent, the Sub-Committee would use its best judgment based on the principles enunciated above. In such cases, the Sub-Committee will recommend specific sanctions to the appropriate regulatory body.

(iv) Individuals may be warned or advised by the Sub-Committee where necessary.

(v) In all cases of sanctions, specific time frame shall be stated for compliance.

(THE BANKERS COMMITTEE)

Appendix 11

CODE OF CORPORATE GOVERNANCE FOR BANKS AND OTHER FINANCIAL INSTITUTIONS IN NIGERIA

INTRODUCTION

The issue of corporate governance has recently been given a great deal of attention in various national and international forays. This is in recognition of the critical role of corporate governance in the success or failure of companies. Corporate governance refers to the processes and structures by which the business and affairs of an institution are directed and managed in order to improve long-term shareholder value by enhancing corporate performance and accountability, while taking into account the interest of other stakeholders.

Corporate governance is therefore about building credibility, ensuring transparency, and accountability as well as maintaining an effective channel of information disclosure that would foster good corporate performance.

The strategy for addressing the challenges of corporate governance has taken various forms at both the national and international levels and have culminated in initiatives such as: the OECD Code; the Cadbury Report; the Basel Committee Guidelines on Corporate Governance; the King's Report of South Africa etc.

In Nigeria, the Security and Exchange Commission (SEC) set up the Peterside Commission on Corporate Governance in Public Companies, which has since submitted its report, incorporating a Code of Best practices.

CORPORATE GOVERNANCE IN THE FINANCIAL SECTOR IN NIGERIA

Financial Institutions constitute a critical sector of any economy. Since the aftermath of the financial crisis in the early 1990's, the stability of the financial system has assumed a greater focus as a key objective of economic policy in Nigeria.

Poor corporate governance has been identified as one of the major factors in virtually all known instances of financial sector distress. It is therefore crucial that financial institutions observe a strong corporate governance ethos.

In addressing the issue of corporate governance in the financial sector, the Banker's Committee set up the Sub-Committee on corporate governance to make recommendations and propose a draft Code for adoption by financial institutions. This was in realization of the need to amplify the report of the Peterside Committee on corporate governance to address the peculiarities of the financial sector.

THE CODE OF CORPORATE GOVERNANCE FOR BANKS AND OTHER FINANCIAL INSTITUTIONS

The Code of Corporate Governance for Banks and Other Financial Institutions in Nigeria are explicit in its recommendations on best practices; including constituting an effective board and identifying the principal responsibilities of the board, remuneration of Directors, Board performance assessment and the Audit Committee. The Code also considers factors relevant to depositor and investor confidence given the importance of these stakeholders to the stability of the financial sector.

The Code should not be regarded as threat to entrepreneurial drive and spirit. A system that combines enterprise with integrity will promote good corporate without stifling initiative and creativity.

It should be emphasized that good corporate governance rests ultimately with the Board of Directors. In identifying that good corporate governance hinges on the competence and integrity of the board, it should be realized that standards of probity and fiduciary responsibility in the wider business environment is equally critical. All these help to promote corporate governance.

BOARD OF DIRECTORS

1.0 Responsibility of the Board of Directors

Principle: The Board should exercise responsibility, leadership, enterprise, integrity, and judgement in directing the Institution so as to achieve continuing prosperity for the Institution and act in its best interest, in a manner based on transparency, accountability, and equity. An effective Board that can lead and control the Institution should head every Institution.

1.1 Without prejudice to the statutory duties of directors, the functions of the Board of financial Institutions should include but not limited to the following:

i) Approving and receiving corporate strategy, plans of action, annual budgets and business plans, setting performance objectives; monitoring implementation and corporate performance; and approving major capital expenditures, acquisitions and divestments.

ii) Ensuring that the Institution has adequate systems of internal controls both operational and financial.

iii) Selection, placement, promotion performance appraisal and compensation of senior executives.

iv) Reviewing the remuneration of key executive and of the board members and ensuring a formal and transparent board nomination process.

v) Ensuring the integrity of the institution's accounting and financial reporting system.

vi) Ensuring that ethical standards are maintained and that the institution complies with applicable laws and regulations.

vii) Ensuring adequate disclosure and communications.

viii) Facilitating succession planning.

ix) Setting out acceptable risk management guidelines.

1.2 The non-executive Directors on the Board should not be involved in the day-to-day operations of the institutions, which should be the primary responsibility of the Chief Executive Officer and the management team.

2.0 Structure of the Board of directors

Principle: The Board should include a balance of executive and non-executive directors (including independent non-executives) such that no individual or group of individuals can dominate the Board's decision-making process.

2.1 The Board should include non-executive directors of sufficient calibre and number for their view to carry sufficient weight in the Board's decisions. Non-executive directors should comprise a majority of the members of the Board.

2.2 Not less than twenty (20%) or at least two (2) Board members should be independent directors, should have other relationship with management which could materially interfere with the exercise of significant financial or personal ties to management, free from any business, he or she should have independent judgement, and should receive no compensation from sources other than director's remuneration or shareholder dividends.

2.3 The Board should have a diversity of background knowledge and experience.

2.4 The Board should not be so small to be ineffective and not so large as to be unwieldy.

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

3.0 Principle: There should be a clear division or responsibility at the head of the institution-the running of the Board and the management of the institution's business-which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

3.1 The roles of the Chairman and Chief Executive should be separate and independent to ensure an appropriate balance of power, increased accountability and greater capacity of the board for independent decisions.

3.2 The role of the Chairman and the Chief Executive should be clearly defined and set out in an internal document.

4.0 Appointment to the Board

Principle: There should be a formal and transparent procedure for the appointment of new directors to the Board.

4.1 A Nomination Committee should be established to make recommendations to the Board on all new Board appointments. A majority of the members of this Committee should be non-executive directors, and the Committee Chairman should be a non-executive director.

4.2 Newly appointed directors should undergo appropriate orientation to ensure that they have a good understanding of their role and legal responsibilities and liabilities as directors. Where necessary, directors may undergo formal training at the institution's expenses; this is aimed at making them effective in the discharge of their duties.

4.3 All directors should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals as prescribed by the Companies and Allied Matters Act 1990. The names of the directors submitted for election or re-election should be accompanied by sufficient biographical details to enable shareholders to take an informed decision on their election. The composition of the Board should regularly be refreshed.

4.4 The decision to recommend the re-election of a director should not be automatic. Rather, it should be a conscious decision by the Board after evaluation of the candidate.

4.5 Every director should be able and prepared to devote sufficient time and effort to his /her duties as a director.

5.0 Proceedings of the Board of directors

Principle: The Board should meet regularly and Board members should attend meetings regularly.

5.1 The Board should meet at least once every quarter in order for the directors to discharge their responsibilities properly.

5.2 The Board should have a formal schedule of matters specifically reserved to it for decision.

5.3 All directors should bring independent judgement to bear on issue of strategy, performance, resources, key appointments and standards of conduct.

5.4 All directors should have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that board procedures are followed and that applicable rules and regulations are complied with.

5.5 There should be a procedure agreed by the Board of directors in the furtherance of their duties to take independent professional advice if necessary, at the institution's expense.

5.6 Management has an obligation to provide the Board with information in a timely manner and in an appropriate form and quality to enable it discharge its duties.

5.7 In circumstances where information provided by management is insufficient, directors should make further enquiries where necessary.

5.8 The Chairman of the Board should ensure that all directors are properly briefed on issues arising at the Board meetings.

6.0 Directors' Remuneration

Principle: Institutions should establish a formal and transparent procedure for developing policies on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in approving his or her own remuneration.

6.1.1 Boards of directors should set up Remuneration Committees made up wholly or mainly of non-executive directors to:

(i) Make recommendations to the Board on the Institution's policy framework of executive remuneration and its cost.

(ii) To determine, on behalf of the Board, specific remuneration packages for each of the Executive Directors, including pension rights and any compensation payments.

(iii) To determine the compensation of senior executives.

6.1.2 The Board should recommend to the general Meeting the remuneration of non-executive directors, including members of the remuneration Committee.

6.1.3 A non- executive director, who is independent of management and free from any business or other relationship, which could materially interfere with the exercise of the director's independent judgement, should chair the Remuneration Committee.

6.1.4 The Remuneration Committee should consult the Chairman and /or Chief Executive Officer about their proposals and have access to professional advice inside and outside the institution.

NB: Institutions may choose to have specific packages of Executive Directors approved by the Board on the recommendation of the Remuneration Committee. In such instances, the director whose package is being discussed will not participate.

6.2.0 Level of Remuneration

Principle: Level of remuneration should be sufficient to attract and retain the director needed to run the company successfully, but institutions should avoid paying more than is necessary for this purpose. A proportion of executive director's remuneration should be structured so as to link rewards to corporate and individual performance.

6.2.1 The remuneration Committee should determine the packages needed to attract, retain and motivate directors of the quality required but should avoid offering more than is necessary for this purpose.

6.2.2 Remuneration Committee should judge where to position their company relative to other institutions. They should be aware of what comparable companies are paying and should take account of relative performance. But they should use such comparisons with caution, in view of the risk that can result in an upward ratchet of remuneration levels with no corresponding improvement in performance.

6.2.3 Remuneration Committee should be sensitive to the wider scene, including pay and employment conditions elsewhere in the sector, especially when determining annual salary increases.

6.2.4 The remuneration of non-executive directors should be appropriated to the level of contribution, taking into account the factors such as the time and effort spent, and the responsibility of the directors and the performance of the institution.

6.2.5 The total remuneration package of executive directors should be designed to align their interests with those of shareholders and link rewards to individual and corporate performance. There should be meaningful and appropriate measures for assessing the performance of executive directors.

6.2.6 Service contracts should not be excessively long or contain onerous removal clauses. The remuneration Committee should consider what compensation commitments the directors' contract of service, if any, would entail in the event of early termination. The Committee should in particular, consider the advantages of providing explicitly in the initial contract for such compensation commitments except in the case of removal for misconduct.

6.2.7 Where the initial contract does not explicitly provide for compensation commitments, remuneration committees should within legal constraints, tailor their approach in individual early retirement cases to the wide variety of circumstances. The board aim should be to avoid rewarding poor performance, while dealing fairly with cases where departure is not due to poor performance.

7.0 Board Performance Assessment

Principle: There should be a formal assessment of the effectiveness of the board as a whole and the contribution by each individual director (including the Chairman) to the effectiveness of the Board.

7.1 The Nomination Committee should recommend an evaluation procedure for the Board and propose objective performance criteria, which should be approved by the board.

7.2 In order to maximize the efficiency and effectiveness of the Board's work, each individual director 's performance, including that of the Chief Executive and the Chairman, should be monitored and appraised on annual basis.

7.3 Issues to be evaluated should include:

(i) Attendance at meetings;

(ii) Contribution to discussions at Board meeting/Board Committee meetings;

(iii) Business referrals or support of the institution;

(iv) The public standing of the Director and the beneficial effect of this on the business of the institution.

7.4 The Board should evaluate its overall effectiveness taking cognisance of performance indicators including:

(i) The compliance status of the institution;

(ii) The overall performance of the institution;

(iii) Regularity of Board Meetings; and

(iv) The overall contribution of the Board to the performance of the institution.

7.5 Each director should keep abreast of both current practices and developments in the institution's business to ensure that his or her expertise is constantly relevant to the institution.

8.0 Risk Management

Principle: The Board must identify key risk areas and key performance indicators of the business enterprise and monitor these factors.

8.1 The Board should understand and fully appreciate the business risk issues and key performance indicators affecting the ability of the institutions to achieve its purpose.

8.2 The business risk and key performance indicators should be benchmarked against industry norms and practices, so that the institution's performance can be evaluated.

8.3 A Risk Management Committee should be established to provide oversight of management's activities in managing credit, market, liquidity, operational, legal and other risks of the institution.

8.4 Directors and senior management should be trained to enable them understand the institutions' business, nature of the risks, the consequences of risks being inadequately managed and an appreciation of the techniques of managing the risks effectively.

8.5 The institution's risk management system should be subject to periodic review and the result be reported to the Board.

8.6 The Board should satisfy itself that the institution’s material business risks are being effectively identified, quantified, monitored and controlled and that the system in place to achieve this are operating effectively at all times. The corporate governance framework of the institution should include systems for ensuring that all statutory and regulatory requirements are being with and to identify potential or actual breaches if and when they occur.

9.0 Financial Disclosure

Principle: There should be a degree of accountability of directors to shareholders and other stakeholders of the institutions and of management to the directors.

9.1 The Board should regularly provide the shareholders with a balanced and clear report of the institution’s performance, position and prospects.

9.2 The management of the institution should provide all members of the board with a balanced and clear report of the institution’s performance, position and prospects on a regular basis.

9.3 The Board should ensure that an objective and professional relationship is maintained with external auditors.

9.4 The Board should include a statement in the Annual report confirming that the institution is a going concern with supporting assumptions and qualifications as necessary.

9.5 The Directors should explain their responsibility for preparing the accounts, and there should be a statement by the auditors about their reporting responsibilities as required under the provisions of the Companies and Allied Matters Act, 1990.

9.6 The Board’s responsibility to present a balanced and understandable report of the institution’s performance extends to interim and other price-sensitive public reports.

10.0 Relations with Shareholders

Principle: The Board should serve the genuine interests of the shareholders of the institution and account to them fully.

10.1 The Board should ensure that the statutory and general rights of shareholders are protected at all times.

10.2 The Board should ensure that all shareholders are treated fairly and are provided with appropriate information on an equal basis, irrespective of the significance or otherwise of the shareholding in the institution.

10.3 The Board should encourage greater shareholder participation at general meetings and allow shareholders the opportunity to communicate their views on various matters affecting the institution.

10.4 The Board should ensure that decisions reached at general meetings are implemented.

10.5 The Board should ensure that separate resolutions are proposed at Annual general Meetings (AGM) on each substantial issue and in such a manner that they can be voted for in an organised manner.

10.6 The Board should ensure that notices of general meetings and related papers are sent to shareholders within the statutory timeframe.

11.0 Audit Committee

Principle: The Board should establish formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the institution's auditors.

11.1 Public companies should establish Audit Committees in accordance with the requirements of the provisions of the Companies and Allied Matters Act, 1990.

11.2 Board of financial institutions that are private limited liability companies should establish Audit Committees consisting of directors and shareholders. The majority of such members should be non-executive, with written terms of reference that deal clearly with its authority and duties.

11.3 Members of audit Committees should be named in the Annual Report and Accounts.

11.4 The duties of the Audit Committee should include keeping under review the scope and results of the audit and its cost effectively and the independence and objectivity of the auditors. Where the auditors also supply a substantial volume of non-audit services to the institution, the Committee should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money.

11.5 Members of the Audit Committee should receive appropriate training to ensure that they attain an adequate level of financial literacy.

11.6 The Audit Committee should provide regular reports to the Board.

11.7 Audit Committee members should have significant, recent and relevant financial experience.

Appendix III

CODE OF BANKING PRACTICE PRODUCED BY THE GENERAL ASSEMBLY OF BANK CHIEF EXECUTIVES UNDER THE AUSPICIOUS OF THE CHARTERED INSTITUTE OF BANKERS OF NIGERIA

PREAMBLE

PROCEDURE

The overall objectives of code of banking practice are to ensure the highest level of adherence to good banking practice and a strong commitment to high ethical standards in the banker-customer relationship.

An Ethics Committee of the general Assembly of Bank Chief Executives will consider and deliberate on matters of ethics referred to it. It will pronounce opinions and / or makes recommendations to the General Assembly of Bank Chief Executives where appropriate.

Matters may be referred to the Committee by a Bank or by individual banker (through the Institute) or by the General Assembly of Bank Chief bank Executives.

In the event that further action is indicated, the General Assembly may refer to the Council of The Chartered Institute of Bankers of Nigeria to be considered by its

Investigating Panel and, if necessary, a Tribunal in accordance with the provisions of The Chartered Institute of Bankers of Nigeria Act 12 of 1990 or any amendment or re-enactment of same.

The ethics Committee has no legal status. It has no formal powers to neither compel appearance nor impose any sanction. Its whole purpose is to provide rulings on the facts as presented to it in each instance. Its force is moral.

- Banks and bankers will operate within the legal framework.

- Banks and bankers will follow the best professional practice in the global industry.

- Banks will always place their depositor's interest before all others.

- Banks will always meet their commitments. Such commitments will not be lightly given, and should never be broken.

- Banks will repay depositors at maturity on the agreed terms.
- Banks will meet their trade engagements.

- Banks will meet delivery on their trading contracts at maturity at agreed rates.

- Banks will always lend on agreed terms.

- The Central Bank of Nigeria (CBN) or any arbitration body duly constituted should be invited to arbitrate to resolve disputes among banks if such disputes cannot be resolved through the Institute.
- Banks will deal only with respectable parties. They will take all reasonable steps to establish that all parties they deal with are bona-fide. Individual bankers should not ask for, nor even accept, any form of gratification, either in cash or in kind, for performing their normal services.

    - Banks should not pay brokerage to members of their staff.

    - Banks and employers will follow only the best professional practice in recruiting and employment policies.

    - Bankers (of either gender) should not harass (either sexually or otherwise) their staff or colleagues.

    - Banks should not undermine other banks' stability in the process of marketing so that competition is healthy.

Code of Conduct

1.Governing Principles

1.1 The governing principles of the Code are:

1.1.1 To set out the standards of good banking practice which banks will follow in their dealing with their customers,

1.1.2 To provide guidelines for banks to make them act fairly and reasonably in all their dealings with their customers and other banks,

1.1.3 To cause banks to help customers to understand the operations of their accounts and to give them a good understanding of their banking services including known risks relating to the operations; and

1.1.4 To maintain confidence in the security and integrity of the banking system. Banks must recognize that their system and technology need to be reliable to protect their customers and themselves.

1.2 Banks are to provide basic information to customers. This will usually be at the time when an account is opened. Information, if any, will also be made available to customers from bank branches. Banks will provide additional information and guidance about specific services at any time.

CUSTOMERS AND THEIR ACCOUNTS

2.0 OPENING OF ACCOUNT

2.1 Banks are required by law to satisfy themselves about the identity and address of a person seeking to open an account to assist in protecting their customers, members of the public and themselves against fraud and other misuse of the banking system. References on character and suitability for an account holder are imperative.

2.2 Banks will provide to prospective customers details of the identification needed.

2.3 Banks should educate customers on the proper handling of chequebooks and other security items.

3.0 TERMS AND CONDITIONS

3.1 Banks will provide written terms and conditions expressed in simple language, to customers, of the various types of financial services offered by them.

3.2 Banks will ensure that adequate notice is given to customers about any change in such terms and conditions. For changes resulting from administrable or statutory action by the authorities, notices and conditions in the Monetary Circulars (or any other circulars from the Regulatory Authorities) should be considered adequate.

3.3 Banks will give reasonable notice before closing a customer's account.

3.4 Banks will send comprehensive statements of accounts to all customers, at regular (agreed) intervals in order to enable customers to manage their accounts effectively and to check entries. Customers should in addition be at liberty to ask for their balances at any time.

4 CHARGES AND INTEREST PAYABLE BY CUSTOMERS

4.1 Banks will disclose to their customers in sufficient detail the basis of the charges incidental to the operation. Such charges will be determined by the Bankers Tariff (now Guide to Bank Charges) published by the Central Bank of Nigeria from time to time, based on the recommendations of the Bankers Committee. Such disclosures will be made to customers when new accounts are opened or upon request. Adequate information about changes in the tariffs will be made available or sent to customers.

4.2 The bank on request or at the point of rendering the service will provide information on charges for services not covered by the tariff.

4.3 Banks will inform their customers about the interest that is applied to debit balances on their accounts, the basis on which it is calculated and the timing of the debit. Banks will also inform their customers of the basis on which the interest rates may be varied.

5 INTEREST PAYABLE TO CUSTOMERS

5.2 Banks will make information about the rates on all interest bearing accounts which they offer freely available and accessible to customers by one or more effective means, for example:

5.2.1 Notices and /or leaflets at Head Office and all Branches;

5.2.2 Press advertisements;

5.2.3 Personal notices; and

5.2.4 A branch/ central telephone service

5.3 Banks will inform customers about the interest rates applicable to their accounts, the basis on which the interest is calculated and when it will be paid to their accounts. Banks will also inform their customers of the basis on which they may vary interest rates.

5.4 When banks change interest rates with immediate effect, they will effectively publish those changes, for example by notices in their branches, if any, or in the press, or on statements of account or a combination of any or all of the methods.

6.0 HANDLING CUSTOMERS' COMPLAINTS

6.1 Each bank will have its own internal procedures for handling customers' complaints fairly and expeditiously.

6.2 Banks will inform their customers that they have a complaints procedure. Details of that procedure will be made available at each office showing how complaints are made and what further steps are available if they believe that the complaint has not been dealt with satisfactorily either at the branch or more senior level within the bank.

6.3 Banks will ensure that all their staff that deals directly with customers are made aware of their institutions internal complaints procedures and are able to help customers by giving correct information about it.

6.4 All banks should have a public complaints/suggestion boxes displayed in their operational locations.

7.0 CONFIDENTIALITY OF CUSTOMER INFORMATION

7.0 Banks will observe a strict duty of confidentiality about their customers (and former customers') affairs and will not disclose details of customers' account or their names and addresses to any third party, including other companies in the same group, other than in the four exceptional cases permitted by the law, namely:

7.0.1 Where a bank is legally compelled to do so;

7.0.2 Where there is duty to the public to disclose;

7.0.3 Where the interests of the bank require disclosure; and

7.0.4 Where disclosure is made at the request, or with the consent (express or implied) of the customer.

7.1 Banks will not use exception 7.1.3 above to justify the disclosure for marketing purposes of the details of customers' accounts or their names and addresses to any third party, including other companies within the same group.

7.2 All banks should insist on their staff signing a "Declaration of Secrecy" to guarantee the confidentiality of customer information.

8.0 STATUS ENQUIRIES (BANKERS REFERENCES)

8.0 Banks will on request advise other parties whether they provide bankers' references or bankers' opinion in reply to status enquiries made about their customers; and

8.1 Banks will on request explain how the system of Status Enquiries (Bankers' References) works.

9.0 MARKETING OF SERVICES

9.0 Except in response to a customer's specific request written or where a customer has given his express written consent, banks will not pass customers' names and addresses to other companies in the same group for marketing purposes Banks will not make the provision of basic banking services conditional on customers giving such written consent. For this purpose, basic banking services include the opening and the maintenance of accounts for money transmission by means of cheques and other debit instruments.

9.1 Banks will act responsibly and prudently in marketing. In particular, banks will ensure that all advertising and promotional literature is fair and reasonable, does not contain misleading information and complies with all relevant legislation, whether relating to their own bank or their competitors' bank

10.0 FOREIGN EXCHANGE SERVICES AND CROSS BORDER PAYMENTS

10.0 Banks will provide customers with details of the exchange rate and the charges, which will apply to foreign exchange transactions.

10.1 Banks will provide customers wishing to effect cross border payments with details of the services they offer. In doing so, they will provide, as a minimum:

10.1.1 Basic description of the appropriate services available and the manner in which they can be used;

10.1.2 Information as to when money sent abroad on customers' instruction will usually reach its destination or, when an exact date cannot be given, the latest date by which the money might be expected to arrive; and

10.1.3 The details of any commission or charges payable by customers to their bank including a warning where agents' charges will also be charged.

11.0 GUARANTEES AND OTHER TYPES OF THIRD PARTY SECURITY

10.1 Banks will advise private individuals proposing to give them a guarantee or other security for another person's liabilities:

10.1.1 That by giving the guarantee or their party security he or she might become liable instead of, or as well as that other person;

10.1.2 That he or she should seek independent legal advice before entering into the guarantee or third party security.

10.2 Guarantee and other third party security documentations will contain clear and prominent notice to the above effect

12.0 INTER-BANK TRANSACTIONS

12.0 A bank should at all times and as expeditiously as possible seek information about the credit worthiness of any other bank before engaging in inter-bank transactions with it.

12.1 Banks should accord priority to inter-bank obligations.

Appendix IV

List of Banks on which Questionnaires were administered.

1.ACB International Bank Ltd

2.Access Bank Nigeria PLC

3.Afribank Nigeria PLC

4.African Express Bank PLC

5.African International Bank Ltd

6.Afribank International Ltd

7.All States Bank PLC

8.Assurance Bank Nigeria Ltd

9.Bank of the North Ltd

10.Bond Bank Ltd

11.Broad Bank Nigeria Ltd

12.Capital Bank International Ltd

13.Centre-Point Bank PLC

14.Chartered Bank Ltd

15.City Express Bank PLC

16.Citibank Nigeria Ltd

17.Citizens International Bank Ltd

18.Continental Trust Bank Ltd

19.Cooperative Bank PLC

20.Cooperative Development Bank PLC

21. Devcom Bank Ltd

22.Daimond Bank Ltd

23.Eagle Bank Ltd

24.Ecobank Nigeria PLC

25.Eko International Bank PLC

26.Equitorial Trust Bank Ltd

27.Equity Bank of Nigeria Ltd

28.FBN (Merchant Bankers) Ltd

29.Fidelity Bank PLC

30.First Atlantic Bank Ltd

31.First Bank of Nigeria PLC

32.First City Monument Bank Ltd

33.First Interstate Bank PLC

34.Fortune International Bank PLC

35.Fountain Trust Bank PLC

36.FSB International Bank PLC

37.Gateway Bank PLC

38.Global Bank PLC

39.Guardian Express Bank PLC

40.Guaranty Trust Bank PLC

41.Gulf Bank of Nigeria PLC

42.Habib Nigeria Bank Ltd

43.Hallmark Bank PLC

44.Inland Bank (Nigeria) PLC

45.Intercity Bank PLC

46.Intercontinental Bank PLC

47.INMB Bank Ltd

48.IMB International Nigeria PLC

49.International Trust Bank PLC

50.Investment Banking & Trust Co. Ltd

51.Lead Bank PLC

52.Liberty Bank PLC

53.Lion Bank of Nigeria PLC

54.Magnum Trust Bank PLC

55.Mannybank PLC

56.Marina International Bank Ltd

57.MBC International Ltd

58.Metropolitan Bank Ltd

59.Midas Bank PLC

60.NAL Bank PLC

61.National Bank of Nigeria Ltd

62.NBM Bank Ltd

63.New Africa Merchant Bank PLC

64.New Nigeria Bank PLC

65.Nigerian-American Bank PLC

66.NUB International Bank Ltd

67.Oceanic Bank Int. Nigeria Ltd

68.Omega Bank (Nigeria) PLC

69.Pacific Bank Ltd

70.Platinum Bank Ltd

71.Prudent Bank PLC

72.Regent Bank Ltd

73.Reliance Bank Ltd

74.Stanbic Bank Ltd

75.Standard Chartered Bank Nigeria Ltd

76.Standard Trust Bank Ltd

77.Societe Bancaire Nigeria Ltd

78.Societe Generale Bank Ltd

79.Trade Bank PLC

80.Trans International Bank PLC

81.Triumph Bank PLC

82.Tropical Commercial Bank PLC

83.Trust Bank of Africa Ltd

84.United Bank for Africa PLC

85.Union Bank of Nigeria PLC

86.Union Merchant Bank Ltd

87.Universal Trust Bank PLC

88.Wema Bank PLC

89.Zenith International Bank PLC

Others

1.Central Bank of Nigeria

2.Nigeria Deposit Insurance Corporation

3.The Chartered Institute of Bankers of Nigeria

Appendix V

QUESTIONNAIRE

ST. CLEMENTS UNIVERSITY

TURKS AND CAICOS ISLANDS

BRITISH WESTINDIES.

A SURVEY OF ETHICS IN THE NIGERIAN BANKING INDUSTRY

This survey is part of a project to understand better how the code of Ethics and Professionalism in the banking industry in Nigeria has helped to sanitize the banking profession. This is an issue of great importance to bankers and the general public.

You are one of a small number of people who are being asked to give your opinion on this issue. In order that the results will truly represent the banks, it is important that your questionnaire is completed and returned.

All the information you give will be totally confidential. You will notice that your name and address do not appear on the questionnaire and that there is no identification number.

The result of this research will be used for dissertation leading to a PhD degree of St. Clements University.

If you have any questions you wish to ask, please do not hesitate to telephone me on 08042127276.

Thank you for your help.

Yours truly,

Ali Yidawi

QUESTIONNAIRE

Name of your organization: ---

Job position: --

Age: ------------------------- Gender: ---

PART ONE

Please tick Yes or No for the following questions.

1.Banking is a profession? Yes 0 No 0

2 “Entry and practice” in the banking profession is unrestricted. Yes 0 No 0

3.Unrestricted entry into the banking profession is responsible for unethical practices. Yes 0 No 0

4.Ethics should be strictly enforced in banks. Yes 0 No 0

5.Are there core ethical values in your bank? Yes 0 No 0

6.Do you practice these ethics? Yes 0 No 0

7.Does your bank encourage professional training? Yes 0 No 0

8. The professional examination of the CIBN includes a course on Ethics.

Is this “Ethics” training sufficient for professional development? Yes 0 No 0

9.Does your Inspection Department ensure that” ethical practices “ are carried out in your bank? Yes 0 No 0

10.Our Branches/Head office Departments are inspected every year. Yes 0 No 0

11.Does your bank reward staff that prevents frauds in your bank? Yes 0 No 0

12.Is your bank aware of the code of Ethics and Professionalism in the banking industry? Yes 0 No 0

13.Has your bank been adhering to the Code of Ethics and Professionalism? Yes 0 No 0

14.Has your bank ever been sanctioned by the CBN for violating its rules? Yes 0 No 0

15.Were such sanctions imposed due to unethical practices? Yes 0 No 0

16.The Prudential Guidelines has reduced the level of abuses of unprofessional lending in banks. Yes 0 No 0

17.Our bank identifies with the Chartered Institute of Bankers of Nigeria. Yes 0 No 0

18.Is your Managing Director/ Chief Executive Officer a Professional Banker?

Yes 0 No 0

19.All the Top Management Staff in our bank are Professional Bankers. Yes 0 No 0

20.There are many Professional Bankers in our employment. Yes 0 No 0

21.There are many unprofessional bankers in our employment. Yes 0 No 0

22.Has your bank ever been suspended from the Clearing House? Yes 0 No 0

23.Looking at your Audited Accounts, were there contraventions of certain sections of the Banks and Other Financial Institutions Act of 1991 and circulars of the Central Bank of Nigeria? Yes 0 No 0

24.At the company level, do you have any business ethics code? Yes 0 No 0

25. If yes, is it embedded in the staff manual and are your staffs aware of the business ethics code? Yes 0 No 0

26. The Sub-Committee on Ethics and Professionalism has classified certain conducts as unethical / unprofessional. Are you aware of these conducts? Yes 0 No 0

27. Has the Sub- Committee on Ethics ever applied sanctions against your bank for unethical/ unprofessional conducts? Yes 0 No 0

28. The Sub-Committee on Ethics and Professionalism was established on 19th December 2000. The Committee has helped to sanitize the banking industry. Yes 0 No 0

29. The sanctions for unethical / unprofessional conducts appear to be too weak.

Yes 0 No 0

30.Has any Professional Banker(s) been dismissed / terminated in your bank for fraud related case(s)? Yes 0 No 0

PART TWO

Please indicate the extent to which you agree or disagree with each of these statements.

Circle the number that corresponds with your answer.

5 Strongly agree

4 Mildly agree

3 Neither agrees nor disagrees

2 Mildly disagree

1 Strongly disagree

31.Ethics is Morality and should be taught at all levels.5 4 3 2 1

32.Banking is based on Trust, Confidentiality and Transparency. 5 4 3 2 1

33.The C.B.N. should regulate Ethics in the banking industry. 5 4 3 2 1

34. Ethics should be enforced in the banking industry by legislation.5 4 3 2 1

35. Unethical practices create distress in the banking industry. 5 4 3 2 1

36. Greed and lack of professional training are responsible for the high incidence of fraud in the banking industry. 5 4 3 2 1

37. All banks should encourage professional banking training. 5 4 3 2 1

38. Professional Bankers should be appointed to manage all banks. 5 4 3 2 1

39.How do you feel about the following statement? ‘Bankers should place their client’s interest before their own.’ 5 4 3 2 1

40.In general, bankers place their client’s interest before their own. 5 4 3 2 1

41.I often place my client’s interest before my own. 5 4 3 2 1

42. Banks / Bankers have lived up to their ethical expectations. 5 4 3 2 1

43.Most of the frauds in the banks are due to insiders/collaborators. 5 4 3 2 1

44.Member banks that are under surveillance should not serve on the Ethics Committee.
5 4 3 2 1

45. Fraud is on the increase in the banking industry. 5 4 3 2 1

46 Many banks in Nigeria are distressed due to Unethical practices. 5 4 3 2 1

47 Many banks in Nigeria are distressed due to mismanagement. 5 4 3 2 1

48. The Bankers Committee has played an important role in implementing the code of Ethics.5 4 3 2 1

49. The penalties imposed by the Monetary Authorities deter unethical practices.

5 4 3 2 1

50. Information Technology (IT) has stemmed the high level of frauds in banks.

5 4 3 2 1

51.Unprofessional bankers manage some banks in Nigeria. 5 4 3 2 1

52.Professional bankers are at the helm of all sound banks. 5 4 3 2 1

23.The general public has lost confidence in banks due to unethical practices.

5 4 3 2 1

54. Compliance with the Code of Ethics is optional. 5 4 3 2 1

55.The average Nigerian bank transacts business in an ethical manner. 5 4 3 2 1

Appendix VI Glossary

Axiology	The study of value of quality. It is often thought to include ethics and aesthetics-philosophical fields that depend crucially on notions of value-and sometimes it is held to lay the groundwork for these fields, and thus to be similar to values theory and meta-ethics.
Bailee	A person who receives property by way of bailment.
Bailment	A transfer of goods by someone (the Bailor) to someone (the bailee) who then holds them until they have to returned the bailor.
Bailor	A person who transfers property by way of bailment.
Bank	A business, which holds money for its clients, lends money at interest, and trades generally in money.
Banking	The activity undertaken by banks, this includes personal banking (non-business customers), commercial banking (small and medium-sized business customers), and corporate banking (large international and multinational corporation).
Central Bank	The main government-controlled bank in a country, which controls that country's financial affairs by fixing main interest rates, issuing currency,

	supervising the commercial banks and trying control the foreign exchange rates.
Character Education	The long-term process of helping individuals develop knowledge of, and motivation to, and practice of living by a set of ethical standards. Character education stems from the idea that we establish our standards for action based upon the ideals and behaviours we learn from others.
Code of Conduct or Code of Ethics	A central guide and reference for users in support of day-to-day decision-making. It is meant to clarify an organization's mission, values and principles, linking them with standards of professional conduct. As a reference, it can be used to locate relevant documents, services and other resources related to ethics within the organization.
Code of Conduct	Can refer to a listing of required behaviours, the violation of which would result in disciplinary action. In practice, it is used interchangeably with Code of Ethics.
Code of Ethics	Often conveys organizational values, a commitment to standards, and communicates a set of ideal. In practice, used interchangeably with Code of Conduct.
Code Provisions	The specific standards of behaviour and performance expectations that your organization chooses to highlight and address in your code.

Compliance	Conforming or adapting one's actions to another's wishes, to a rule, or to necessity. A compliance code would be intended to meet all legal requirements.
Conflict of Interest	A person has a conflict of interest when the person is in a position of trust which requires her to exercise judgement on behalf of others (people, institutions, etc) and also has interests or obligations of the sort that might interfere with the exercise of her judgement, and which the person is morally required to either avoid or openly acknowledge.
Corruption	The abuse of public power for private benefit. Perversion or destruction of integrity in the discharge of public duties by bribery, or favour or the use or existence of corrupt practices, especially in a state or public corporation.
Epistemology	The branch of philosophy that deals with the nature, origin and scope of knowledge.
Ethical Commitment	A strong desire to do the right thing, especially when behaving ethically imposes financial, social or emotional costs.
Ethical Congruence	A situation where one's decision is consistent with, aligns with, the applicable set(s) of values. Under these circumstances, a choice to take some action will harmonize with the decision-maker's values. The organizational state where values, behaviours and perceptions are aligned.

Ethical Situations	Situations in which two people agree on a particular value and disagree as to the action to be taken or decision to be made.
Ethical Dilemmas	Situations that require ethical judgement calls. Often, there is more than one right answer and no win-win solution in which we get everything we want.
Ethics	1.The decisions choices, and actions (behaviour) we make that reflect and enact our values. 2.The study of what we understand and how people make those judgements. 3. A set of standards of conduct that guide decisions and actions based on duties derived from core values. 4.There are many definitions as to what ethics encompasses:

- The discipline dealing with what is good and bad and with moral duty and obligation;
- Decisions, choices, and actions we make that reflect and enact our values;
- A set of moral principles or values;
- A theory or system of moral values; and /or
- A guiding philosophy.

Ethical Decision-making	
Altruistic Considerations	What impact will this action or decision have on others or my relationship with them?
Ethical Decision-making	
Idealistic Considerations	What is the right thing to do–as defined by the values and principles, which apply to this situation?

Ethical Decision-making	
Individualistic Considerations	What will happen to me as a consequence of this action or decision?
Ethical Decision-making	
Pragmatic Considerations	What are the business consequences of this action or decision?
Good Faith	Based on the belief in the accuracy of the information or concern being reported.
Governance	The act, process or power of exercising authority or control in an organizational setting.
Gray Areas	Situations in which the individual’s business standards lack clarity. The lack of clarity may be due to an individual’s not being familiar with a guideline or a guideline that is vague and subject to interpretation. Guidelines are often written to provide managers with as much latitude as appropriate, and this may create grey areas.
Independence	In the most general usage, freedom to act without control or influence from others, to be free to make decisions and act without external constraint. In the business world, independence has come to have a specialized meaning. It is most commonly understood to mean freedom from conflicting interests- the specialised case of having the ability to make a decision or act in ways which are free from conflict between one’s personal interests and the interests of the party on whose behalf we are making the decision.

In-House Reporting System	Any system established by an organization to meet the standards of an effective programme to prevent and detect violations of law in order to provide employees and other agents with a means to report misconduct to the organization without fear of retribution.
Integration	In the context of ethics programmes, integration means the ability to put ethical principles into practice.
Integrity	Making choices that are consistent with each other and with the stated and operative values one espouses. Striving for ethical congruence in one's decisions.
Logic	(Originally meaning the word, or what is spoken, but coming to mean thought or reason) is most often said to be the study of arguments, although the exact definition of logic is a matter of controversy amongst philosophers.
Meta-physics	A branch of philosophy concerned with the study of "first principles" and "being" and is divided into three parts namely: Ontology (the study of existence); Theology (the study of God or the gods and questions about the divine); and Universal science (the study of so-called first principles, which underlies all other inquiries).
Morality	Morality, in the strict sense of the word, deals with that which is innately regarded as right or wrong. However, the term is often used to refer to a system of principles and judgements shared by cultural, religious, and philosophical concepts and beliefs, by

	which humans subjectively determine whether given actions are right or wrong. These concepts and beliefs are often generalized and codified by a culture or group, and thus serve to regulate the behaviour of its members. Conformity to such codification may also be called morality, and the group may depend on widespread conformity to such codes for its continued existence. A “moral” may refer to a particular principle, as it is applied in a given human situation.
Morals	Values that we attribute to a system of beliefs that help the individual define right versus wrong, good versus bad. These typically get their authority from something outside he individual- a higher being or higher authority (e.g. government, society). Moral concepts, judgements and practices may vary from one society to another.
Mortgage	Money lent on the security of a house or other property owned by the borrower, usually in order to enable the borrower to buy the property.
Mortgagee	A person or company which lends money for someone to buy a property.
Mortgagor	A person who borrows money to buy a property.
Ombudsman	A designated neutral or impartial dispute resolution practitioner whose major function is to provide confidential and informal assistance to managers and employees and /or clients of the employer: patients, students, suppliers or customers.
Philosophy	A discipline or field of study involving the investigation, analysis and development of ideas at a general abstract or fundamental level. It is the discipline in search for a general understanding of

	values and reality by chiefly speculative or hypothetical rather than observed means.
Rules-Centred Code Of Conduct	Frequently takes the form of a list of behavioural requirements, the violation of which could result in disciplinary action.
Static responsibility	The world of duty, obligation and accountability: doing what you are told, doing what you promised, and doing what is expected.
Survey	A set of questions used to examine a condition, situation or value.
Transparency	1. Sharing information and acting in an open manner.
	2. A principle that allows those affected by administrative decisions, business transactions or charitable work to know not only the basic facts and figures but also the mechanisms and processes. It is the duty of civil servants, managers and trustees to act visibly, predictably and understandably.
Values	The core beliefs we hold regarding what is right and fair in terms of our actions and our interactions with others. Another way to characterize values is that they are what an individual believes to be worth and importance to their life.
Values-Centred Code of Ethics	Offers a set of ethical ideals, such as integrity, trust-worthiness and responsibility, which companies want employees to adopt in their work practices.

Whistle-Blower

1. A person who takes a concern (such as a concern about safety, financial fraud, or mistreatment) outside of the organization in which the abuse or suspected abuse is occurring and with which the whistle- blower is affiliated.

2. Whistle blowing is made up of four components: (1) An individual act with the intention of making information public; (2) the information is conveyed to parties outside the organization who make it public and a part of the public record; (3) the information has to do with possible or actual nontrivial wrongdoing in an organization;(4) the person exposing the agency is not a journalist or ordinary citizen, but a member or former member of the organization.

SOURCES:

1.http://www.ethics.org/glossary.html.

2.Wikipedia- the free encyclopaedia.

3.Dictionary of Banking & Finance (3rd Edition).