FINDINGS OF THE STUDY:

For the purpose of the study the findings has been classified into:

a) Findings on the basis of primary data:
   i) Findings on the basis of bank employees’ responses
   ii) Findings on the basis of bank customers’ responses

b) Findings on the basis of secondary data:
   i) Findings on the basis of Banking ombudsman scheme
   ii) General findings

6.1 FINDINGS ON THE BASIS OF PRIMARY DATA:

6.1.1 FINDINGS ON THE BASIS OF BANK EMPLOYEES RESPONSES:

- Educating professionals about ethics is imperative for all the job levels or positions. Working in an organisation calls for professional and ethical behaviour in order to fulfill the organisation’s values and culture. Thus, in a fast growing economy where everyone wants to earn quick and easy money, learning or refreshing the conception of ethics and values can mould a person’s mind frame. Ignorance about the ethics can lead an individual to indulge into activities which are not considered ethical within or outside the organisation. Thus, the bankers irrespective whether they are from public or private sector responded in similar way that ethics must be taught at all the job levels. The respondents consisting of 64.6% and 61.7% from the public and private sector banks strongly agreed that ethics should be taught for all the job levels.
Even though ethical values can only be imbibed into an individual after learning and understanding its relevance and rather cannot be regulated or legislated or practiced by force. Even if it’s enforced by the regulator there is every chance of defaulting it if an individual does not value ethics. But still the employees of both the public and private sector banks uphold identical views that ethics should be strictly enforced by the legislation to induce ethical environment in their workplace.

66.7% and 51.05% employees of the public and private sector banks strongly agreed that ethics should be enforced by the legislation.

Workplace ethics training is highly recommended for fostering a trustworthy working environment. Many employees have a general sense of right and wrong, but may not understand the legal intricacies of their banking business enough to identify and not engage in unethical activities. Additionally, there is sometimes confusion about the often-subtle differences between illegal and unethical behavior. Thus, training curriculum in banks must include an exclusive training in banking ethics. Proper training will help to keep each employee informed, while hopefully preventing errors in judgment that cast a negative light on the company. Ethics training prepares employees to respond appropriately when questionable issues cross their path. It is found that 43.8% respondents of the public sector banks and 59.6% respondents of the private sector banks strongly agreed that ethics should be a part of their professional training. Since most of the employees come from different background hence training on banking ethics is vital so that they are cautious while transacting with the customers and various stakeholders. However, 18.75% and 10.64% respondents of the public and private sector banks mildly disagreed stating
that there are other significant banking issues whose training is more important than ethics. They added that a copy of banking ethics is more than sufficient which can be easily referred to when the circumstances demand.

- Unethical practices either among the bank officials or any individuals from the public have undoubtedly increased the number of banking frauds manifold. These unethical practices involve complicated financial transactions conducted by 'white collar criminals', business professionals with specialized knowledge and criminal intent. The employees involved in serious irregularities either leaves the service when they perceive that their misdoings are going to be discovered, or their services are dispensed with by asking them to resign.

Some people are habitual in practicing wrong doings while some may be tempted to do so either for their personal growth or career advancement. This trend endangers the credibility of the banking system as it has been seen that these persons continued to indulge in unhealthy banking practices at their new jobs in other banks. It is observed that 77.10% employees of public sector bank while 85.10% employees of private sector bank agreed strongly to the statement that unethical practices have led to bank fraud.

- The Indian banking industry has been witnessing an increasing trend of disloyalty, deliberate betrayal, or treason, especially for personal gain, money laundering which are obvious outcomes of greed. People sometimes tend to be influenced by their societal environment and can lose sight of what is really important to them.

47.90% employees of public sector bank while 59.6% employees of private sector bank agreed strongly to the statement that greed among the
bankers has resulted into number of bank forgeries. Though 16.70% employees of private sector bank and 10.60% of the public sector bank mildly disagreed to the statement that greed among the bankers has resulted into number of bank forgeries.

- 39.6% employees of public sector bank and 51.1% employees of private sector banks concur with the statement that close watch and supervision is essential in the banking sector. Banking is a demanding business where a lot of activities and transactions take place. A strict surveillance is necessary not only in the front office but also at the back office. The operation head, branch manager must strictly monitor the activities of their juniors. Installation of close circuit cameras (CCTV) has become a necessity because if there is a robbery or any untoward situation then the footage can be an important source of evidence in detecting the fraudsters. However, 10.4% and 6.4% of the respondents of the public and private sector banks strongly disagreed that the activities of the bank officials should strictly be under surveillance.

- A significant percentage of the respondents covering 91.7% and 89.4% in the public and private sector banks were with the same opinion that most of bank customers do not have the financial literacy, knowledge and skills to understand the unfamiliar, technical information contained in banking. Even though the bank educates the customers regarding the precautionary steps to be undertaken for cash withdrawal through ATM and online banking, still the customers do not pay much heed to the instructions and falls into the trap of the hackers. The banks advises its customers while issuing the debit cum ATM cards regarding its do’s and don’ts as well as advertises and make the general public aware not to disclose their debit card password to anyone either
over the telephone or reply back to any unknown emails or allow any stranger to withdraw cash from their card.

- 60.4% and 38.3% of the respondents from the public and private sector banks strongly agreed that the penalties imposed by the regulator and the concerned banking authorities will surely reduce and control the frauds, forgeries and all the unethical activities which are going on in the Indian banking sector. Penalties and disciplinary action is imperative depending upon the seriousness and the nature of crime or default in complying with the code of ethics followed by the bank. While a mere 2.1% and 6.4% respondents of the public and private sector banks strongly disagreed that imposition of penalties can be a medium through which unethical activities can be curbed.

- Any activity which raises a doubt must be immediately informed to the concerned authorities, which can prevent the occurrence of unethical practices. Due recognition must be given to the employee by way of either verbal appreciation or any reward which in turn will motivate others to be conscious relating to any distrustful banking practice. Majority of the respondents i.e. 79.17% of public sector bank and 74.47% of private sector bank agreed strongly to the statement that bank officials should be encouraged to report immediately if they observe any suspicious activity.

- Unethical practices have always resulted into the ebbing of bank’s reputation, decreasing of customer’s confidence as well as monetary losses and finally leading to bank failure or distress. It is found that 72.92% employees of public sector bank and 70.21% employees of private sector bank agreed strongly to the statement that unethical practices have resulted into bank failures or distress.
• With the increasing number of bank frauds, money laundering, employee misconduct, window dressing of the financial statements etc. Code of Conduct and Ethics can play a significant role by regulating the banking practices. However, its application and practice by the bankers again raises a question. Unless there is a monitoring agency or stringent actions against the defaulters, ethics implication will undoubtedly be a difficult affair. A high percentage of 87.23% and 81.25% of the bank officials from the private sector bank asserted that ethics compliance in banking sector must be made compulsory in order to build a compatible relationship between the bank and all its stakeholders. On the other hand, 8.51% employees of private sector bank and 6.25% of the public sector bank gave opinion believed that with such rat race competition it will be difficult for them to fully comply with the ethical practices. Hence they disagreed that ethics should be made obligatory in the banking sector.

• Around 80.85% employees of private sector bank and 85.42% of the public sector bank respondents agreed that their banks have ethical values and are not engaged and do not encourage unethical practices. The Indian banks have realized that following ethics and values in their banking operations will bring goodwill which will again increase their customers. Now-a-days, the customers have adequate knowledge relating to good banking practices and any loopholes will ebb the reputation of the bank. So it has necessitated the banks to pursue and practice the ethical standards. With the number of bank failures at the international and national level they have started giving due importance to ethics and values. No significant association was found between the responses of employees and the type of banks they worked.
- 35.42% employees of public sector and 31.91% employees of private sector bank complied with the code while performing professional duties. Around 45.83% employees of public sector and 55.32% employees of private sector bank often complied and 18.75% employees of public sector and 12.77% employees of private sector bank sometimes complied with the code while performing professional duties.

- 35.42% employees of public sector stated that they do follow the ethics while carrying out their duties as they do not want to go against their bank’s code and try to abide by the bank’s ethics and values. The Public Sector Bank recognises the need for this Code to be applied equally to everyone it covers. All employees, directors and officers are expected to comply with all of the provisions of this Code. The Code will be strictly enforced and violations will be dealt with immediately, including subjecting persons to corrective and/or disciplinary action such as dismissal or removal from office. However, 45.83% respondents often comply and 18.75% were of the opinion that due to huge pressure to meet the targets, peer neck to neck competition, to have a sound performance report and also because of the ignorance of some provisions in the Code, they sometimes have to go against their bank’s values and ethics.

On the other hand, among the private sector respondents 31.91% revealed that they do follow the ethical norms and doesn’t practice any activity which is not under the gamut of their code of conduct. They are under the strict surveillance of their immediate superior and they are also instructed to go through all the provisions of the Code before they join the organisation. They are also asked to refer to the Code as and when required during the
execution of their work. Even all the employees, officers, directors are encouraged to report any suspected violations or any activities which are not permissible and are against the Bank’s Code. Though 55.32% often comply and 12.77% sometimes follow the code and further stated that the code mentioned is only meant to be in papers and their actual application becomes tricky especially to meet high targets and long hours of stressful work.

- A majority of the public sector respondents i.e. 93.75% agreed that they do have an access to the banks code of conduct. The banks have their intranet and all the bank officials have their account. They can easily log in with the help of their password, wherefrom they can access the bank’s code of conduct and they are also informed if there is any alteration in the existing code. For the new entrants the code is made familiarized during their induction. However, 06.25% of the respondents reported that they neither have a copy nor access to their bank’s code of conduct. Even though the code of ethics is provided to the employees at the time of induction with an anticipation that they have to go through it at the recess time but majority of the bank officials hardly have a glimpse of it. They are also ignorant relating to the recent updates in the code.

  Even among the private sector bank respondents, 89.36% stated that they do have an access of their banks code of conduct and they do refer it to the code as and when required. However, 10.64% respondents are unaware whether they actually have it or not and whatever they practice they have learnt it on the job.
- 81.25% of the public sector respondents affirmed that their bank’s code of conduct is updated and reviewed as per the changing requirements. In India, the Banking Code and Standard Board of India (BCSBI) formulates the code of conduct with the recommendation of Reserve Bank of India (RBI) which has to be followed by the commercial banks. The Code is updated and reviewed from time to time and all the banks are informed and are instructed to follow it within the stipulated time. The bank also has to confirm the incorporation and practice of the updated issue within the time framed. The BCSBI officials also makes surprise visit to check whether the banks are following the rules as lay down by them. However, 16.17% of the respondents confirmed that they are not aware if any changes are made over the period of time. Even though they have accessibility to their bank’s code of conduct they hardly find time to go through it because of excessive work load.

55.32% of the private sector respondents are aware that the code of conduct is reviewed on a regular basis and updated as per the changing situation. It is also imperative to state that most of the respondents were unaware of the revision mechanism and fails to indentify the area(s) in which current alteration has been done. Yet, 36.17% respondents asserted that no such revision has been made in their code of conduct. They are not sure whether yearly compliance reviews relating to their bank’s code of conduct are being performed or not.

2.08% employees of public sector bank and 8.51% employees of private sector bank could not give any opinion. The association between the responses of the employees and the type of banks they worked was found statistically significant.
• A majority of the public sector bankers i.e. 95.83% agreed that their bank do persuades professional training and also spends huge amount of funds for training their officials. Training starts right away after their recruitment from induction till they retire. There are both on the job, off the job and online i.e. e-learning training programmes consisting of theory as well as simulations which the officials have to take and upgrade their professional skills. A number of training programmes are also regularly organised by IIBM, where bank officials of any public as well as private sector bank can participate. However, 04.17% of the respondent disagree that their bank promotes professional training.

95.74% respondents among the private sector banks agreed that their bank give due importance to the professional training as it become necessary since most of the new recruiters come from various educational background, they have little or no knowledge of the bank’s operation and practices. Such training becomes vital for inculcating professional outlook and thoughts into the young minds of the bankers. Training is an ongoing process which is taught in a phased manner during the entire career of the banker. However, a mere percentage of 04.26% avowed that their bank did not encourage imparting professional training. No significant association was found between the responses of employees and the type of banks they worked.

• In order to safeguard the values and ethics of the public sector banks and also keeping in view to the rising complaints against the employee misbehavior towards the customers, the banks are taking up special training programmes to inculcate professional banking behaviour and etiquettes. Around 82.98% employees of private sector bank and 87.50% of the public sector bank are for
the statement that bank employees are given behavioural training. Yet 17.02% employees of private sector bank and 12.50% of the public sector bank put opinion against the statement.

- 85.42% officials from the public sector banks stated that their banks are inspected and are under strict surveillance. The banks are under stringent monitoring where the activities of the branches are under the observation of not only the regional headquarter but also under the scrutiny of the central head office. There are also both on-site as well as off-site supervises and monitoring accompanied by surprise inspection by the supervisory team. 10.41% of the respondents, however, referred that their banks are not inspected every year.

72.34% respondents affirmed that their private bank is inspected but however again the inspection depends upon the location of the bank branches i.e. whether it is situated in the insurgency area or is a big/medium/small branch. Again the frequency of inspection depends on various factors viz; financial position, method of functioning, compliance record of the bank branch etc. The private banks too are under strict monitoring and any doubtful activity is reported to the Operation Head and the Branch Manager. Depending upon the size of the branch the inspection duration is ascertained. However, 19.14% respondents are unaware relating to the inspection of their banks.

- Majority of the employees in both type of banks could not say whether their bank reward staff that prevents frauds in their banks. However only 25% employees of public sector bank and 4.25% of the private sector bank agreed and 20.83% employees of public sector bank and 27.66% of the private sector bank were of the negative opinion. There was statistically significant
association between the responses of employees and the type of banks they worked. Out the respondents who had said “yes” 75% and 50% bankers from the public and private sector respectively opined that they are given verbal acknowledgement and 25% and 50% respondents of public and private sector referred that they are acknowledged by giving a personal card or note.

- A greater part of the percentage i.e. 97.92% in the public sector banks and 95.74% of the private sector bank claimed that their bank have a customer grievance cell where the bank customers can apply if they have any complaint against the concerned bank. Any complaint registered against the bank branches by the customers via; e-mail or over the telephone is simultaneously reported to the Regional office and the Head office of the public sector banks. Hence there is constant monitoring from the top level (customer care division) relating to the branch activities and how they handle such situations. Any complaints have to be attended within the time framed by the bank, for instance if it is ATM complaints then it should be within 7 days (Rs. 100 per day as penalty from the 8th day onwards). For any other complaints the matter has to be resolved and response should be given by the bank manager within 10 days. The details relating to the process, concerned person, contact numbers etc. are displayed in each bank branches. Display of the board is made in such a way that it grabs the attention of the bank customers. However, a marginal percentage of 2.08% and 4.26% of the respondents of the public and private sector banks were ignorant whether they have an exclusive cell handling customer grievances.

- 97.92% of the public sector bank respondents asserted that their bank is extremely cautious relating to their customers information and no details of
the account is disclosed to anyone except the customer concerned. It was also stated that there are certain legal conditions where they need to reveal the customers facts and figures, viz; at the Court’s order or to the Income Tax officials etc. Otherwise the customer’s information is fully secured at their bank.

93.75% of the respondents in the private sector believed that the customer’s information is secured at their bank and utmost security is installed that the customer’s information is not revealed. Yet 06.25% respondents believed that there may a chance that the customer’s information may be disclosed in exchange of some monetary benefits. Moreover the employee turnover rate are much higher in the private sector banks, some of the bank’s functions may also be outsourced resulting in the higher chances of the leakage of the customers information.

- With the increase in Non-Performing Asset (NPA) in the banking sector, it is undoubtedly a matter of great concern, especially when it was the vital factor the US recession in 2008. The Indian Banking Industry too became sensitive to the issue and started paying more attention while granting loans and advances to the customers. Around 27.08% of the respondents from the public sector banks and 12.77% respondents in the private sector banks stated that their bank always thoroughly examines the project or the business plans and the financial background of the customer before sanctioning the loan amount. But they also referred that sometimes the customers submits a bogus plan in order to get the money and when sanctioned, the amount is utilized for some other personal purpose. 43.75% employees of public sector and 34.042% employees of private sector bank opined that often their bank analyzed, and
29.17% employees of public sector and 48.94% employees of private sector bank opined that their bank sometimes analyzed the business plan/project of the customer thoroughly before sanctioning the loan. However the respondents felt that their bank does not thoroughly scrutinize the business project of the customers before sanctioning the loan amount. There are certainly some loopholes resulting to nonpayment of the loan amount as well as the interest. The banker’s duty does not conclude with the sanctioning of the loan amount. It is their prime task to verify whether the amount taken is employed for the purpose it was taken for. Failure on the part of the bankers to make a surprise visit to inspect and also deceitful nature of the persons, who has taken the loan, compels the bank to harass the customers to recover the loan amount.

- The Child Line along with some local NGO’s has become extremely stringent relating to engagement of any child below 14 years of age for any labourious work, inviting a penalty and even imprisonment. A majority of 83.33% of the public sector respondents stated that their bank does not provide loan to those organisation which violates the norms laid down by the Government.

In the private sector 70.21% of the respondents stated that their bank do not approve any loan amount to business which doesn’t have a good repute by engaging child as workers. Only 10.42% employees of public sector bank and 17.02% of the private sector bank are of the opinion that it becomes thorny job for the bankers to actually figure out whether the organisation is employing child labour or not. The organisation may act smart by concealing all such dicey issues and even during interrogation may produce fake information. Yet 12.77% and 06.25% of the public and private sector banks were mostly
unaware and did not have enough knowledge if their bank provides loan to such business houses.

- Any organisation which has been listed and recognised by the Pollution Control Board as a defaulter of the environmental norms laid down by the former, then the Banks becomes cautious in granting loan to them. Majority of the employees of both types of banks said “no” (accounting for 85.42% and 82.98% of the public and private sector banks), to the statement that their bank sanctions loan to any business that has been violating the rules of Pollution Control Board. Only 10.64% employees of public sector bank and 8.33% of the private sector bank are for the above statement and asserted that identification of such organisation becomes complicated unless such matters are brought under the banker’s notice. There are instances where the norms are violated after the sanctioning of the loan amount. As such their bank may be involved in granting of loans to the organisations violating the PCB’s standards.

6.1.2 FINDINGS ON THE BASIS OF BANK CUSTOMERS RESPONSES:

- Majority of the bank customers 87.86% from public sector and 73.64% from the private sector banks agreed strongly that ethics should be enforced in banks. They strongly asserted that with the number of frauds and forgeries happening in the Indian Banking industry, it has become essential to incorporate ethics and make it obligatory for all the banks to strictly follow them and remain within the gamut of ethical practices. With the increasing trend of the bank official’s involvement in various bank forgeries it has
necessitated the inclusion, enforcement and strict monitoring of ethics in the banking sector.

- People save their hard earned money in their bank account only with the anticipation that it is safely secured in the hands of their bankers. Bank-Customer relationship is undoubtedly based on confidence and trust. It is also the bankers duty to maintain full transparency and disclose in details all the new additions relating to charges, interest etc. Unless the customers feel secured with their bank there is every possibility that the customers may close their existing account and open it elsewhere. Thus it may adversely affect the bank by way of monetary loss as well as negative impact on their reputation. Majority of the customers 78.62% and 84.55% of public sector banks and private sector bank agreed strongly that banking is based on trust, confidentiality and transparency. The responses of the customers to the question that banking is based on trust, confidentiality and transparency was same irrespective of the bank differed.

- Lately, the banking sector is experiencing a number of unethical practices either by the bank officials and staff or from the general public. These may be in the form of misappropriation of funds, manipulation of accounts, fictitious transfers, bank frauds, mismanagement; money laundering etc. which has shaken up the confidence of the customers. 63.58% customers of public sector bank and 57.28% customers of private sector bank agreed strongly that unethical practices have shaken the confidence of the general public in the banking industry.

- Certainly E-banking has saved time from standing in the queue for long hours just to withdraw or transfer money or just to check the balance amount. Most
of the vital banking transactions can now be done from anywhere with much ease and comfort. But however e-banking from mobile to web has created the customer education gap and young consumers as well as old find it difficult to operate it. A smart training regarding the operation and precautionary steps are essential to be advertised and informed to the customers before they go for online banking. Lack of both the factors has resulted into gullible customers falling into the trap either by making online purchases or through phishing. Around 31.21% customers of public sector bank and 57.72% customers of private sector bank agreed strongly that e-banking or online banking has increased the number of frauds. There were none of the respondents who disagreed that e-banking has increased the numbers of frauds.

- Even though ATMs and internet banking has eased out the life of the customers just by the press of the computer or mobile key yet it has given rise to number of frauds by which the fraudsters can make quick money. The customer’s lack of knowledge as well as failure to comply the precautionary steps while operating it can make them bankrupt. From the studies it has been revealed that most of the educated persons become the target and easily give away the password of their debit-cum-ATM card or respond to forged e-mails asking them to provide their personal details. The information thus stolen is then used in other frauds, such as theft of identity or online auction fraud. It is found that 36.42% customers of public sector bank and 53.64% customers of private sector bank agreed strongly that customers’ failure to take precautionary steps in modern banking services has resulted to forgeries. The remaining respondents mildly agreed (i.e. 63.58% and 46.36% of the
customers public and private sector banks) as none of the respondents disagreed to the statement.

- The people who are newly recruited into the banks may have come from diverse fields and may not have the adequate knowledge relating to banking. Even though training is provided to them depending upon their job specification yet it is observed that because of lack of job security in the private sector these training are not taken seriously by the newly appointed personnel. Moreover the banks are initially reluctant to invest into the unpredictable human resources as huge investment is required to finance the training programmes. As the employee turnover is more or there is less retaining power of the private banks it is seen that the people are more likely to involve into unethical practices as they always have an option to move out and look for other new jobs. The customers comprising of 72.73% of public sector bank and 57.80% of private sector bank agreed strongly that lack of professional training and greed are responsible for the high incidence of fraud in the banking industry.

- 89.09% customers of public sector bank and 82.08% customers of private sector bank agreed strongly that Reserve Bank of India should strictly regulate and enforce ethics in both public and private sector banks. As the prime responsibility of following and practicing ethics while conducting the banking business lies on the bank themselves yet the RBI has the responsibility as the country’s banking regulator to advice the banks from time to time regarding the prone areas where unethical activities are most likely to be conducted. RBI must also encourage the banks to report immediately in the occurrence of the unethical doings so that corrective and preventive measures can be taken
without much delay. The internal check and internal control system of the banks must be strengthen so that if any unethical activity is carried out by any employee it can be easily detected by the other.

- 100% customers of private sector bank and 94.8% of the public sector bank stated that they trusted their banks relating to confidentiality of their account. Significant association was found between the responses of customers and the type of banks.

- 19.07% customers of public sector and 38.18% customers of private sector bank always received regular updates about their bank account. However, 57.8% customers of public sector and 29.09% customers of private sector bank often received and 23.12% customers of public sector banks and 32.73% customers of private sector bank sometimes received regular updates about their bank account.

- The change in the interest rates or charges, terms and condition are not personally informed to the customers. It is updated in the respective bank’s website and also displayed in all the bank branches. The customer has the duty to go through the changes by themselves and if they have any query they will get all the necessary assistance from the customer care personnel. It was found that 43.35% and 50.91% of the public and private sector customers responded that they were sometimes informed about the changes in the interest rates, charges, terms and conditions.

- In most of the cases it is seen that the customers are unaware regarding the charging of interest and other rates viz; charges for not maintain a minimum balance in the account etc. It is disclosed only when they get their bank statement. Around 53.76% and 46.24% customers of public sector bank had
opinion in favour and against the statement regarding awareness of the customers regarding levying of chargers in their bank account. In case of private sector banks 13.67% were for and 86.33% were against the statement.

- 28.9% customers of public sector and 45.45% customers of private sector bank always found bank employees co-operative when they had a banking query. 54.91% and 45.45% of the public and private sector bank customers often found the employees co-operative. The bank employees of private sector banks are more co-operative in comparison to the public sector bank employees. Most of the respondents have stated that the in public sector bank the employees lack the professional attitude as well as they are not courteous. Majority of them give a cold vibe when approached and finds great difficulty is answering back. Whereas the employees of the private sector bank are trained in such a manner that once a customer enters its premises there is always assistance for guidance. Significant association was found between the responses of customers and the type of banks.

- 37% customers of public sector and 43.63% customers of private sector bank never encountered any impolite behaviour of any bank official. Yet, 48.55% customers of public sector and 45.45% customers of private sector bank encountered sometimes and 14.45% customers of public sector banks and 10.91% customers of private sector bank often encountered impolite behaviour of any bank official. Bank employees do have an impolite way of handling it customers and they usually blame it on two factors viz; excessive work load and long hours of work. These are a mere excuse which shows lack of professionalism and professional attitude amongst the bank employees. But generally speaking this is the same scenario in almost all other organisations.
apart from banking. Though the young private bankers are seen to give due importance in maintaining professional behaviour, it is still way behind in case of public sector banks. Most of the public sector bank customers in one way or the other had experienced impolite behaviour from the bank employee.

- Behaviour which is partial against any caste, creed, religion, gender, social status, relatives etc. is not considered ethical. This increases the gap between the various classes of the society thus harbouring the feeling of biasness and negativity amongst each other. Even though all the bankers are qualified individuals but still they has to be made sensitive to certain social and vital issues which may instigate huge outcry from the customers. It was found that 37.57% customers of public sector and 76.36% customers of private sector bank never experienced any impartial behaviour from any of the banking staff. Though 55.49% customers of public sector and 23.64% customers of private sector bank sometimes experienced impartial behaviour from any of the banking staff. However, 1.73% customers of public sector banks often and 5.20% customers of public sector banks always experienced any impartial behaviour from any of the banking staff.

- 100% customers of both type of banks opined that they were not given any misinformation relating to the competitor’s product/services by the banking staff.

- Majority of the customers sometimes faced difficulty in withdrawing the money from the ATM accounting for 74.56% and 38.18% of the public and private sector banks respectively. Withdrawing the money from the ATM is an easy and safe job if the instructions are duly followed. Now-a-days to make the ATM transactions safer two digit number is asked which acts as a security
before the actual transactions happen i.e. prior to inserting the password. Though the banks have provided enough security through the installation of close circuit cameras and security guard, still certain problems persist viz; insufficient cash, customers disobeying the rules and entering the booth before their turns, failure to illuminate the area with proper lighting in and around the ATM booths, non working of the CCTVs in some of the ATM booths etc.

- Majority of the customers never operate internet banking (i.e. public sector banks = 59.54%, private sector banks = 46.36%). The greater parts of the older customers are always comfortable in the conventional way of banking transactions. They still prefer to go to the bank for transferring money or making physical purchase of goods in the shops instead of online purchases or making the payments (viz; mobile bills, insurance premium etc.) themselves. They are apprehensive as their major fear is to become a victim of e-fraud. The younger generation customers who doesn’t have the time to go for shopping or to the bank or to the insurance companies etc. finds internet banking as a boon which not only saves time but also helps to know about the status of their different bank accounts just with the press of the keys of their mobile or laptop.

- 34.68% customers of public sector bank and 36.36% customers of private sector bank are aware of the precautionary steps to be taken while operating internet banking. Yet, 65.32% customers of public sector bank and 63.64% customers of private sector bank are not aware of the same. Such a loophole on the part of the customers increases the chances of their account being hacked and gives rise to e-frauds.
• Majority of the customers were for the view that their bank had never failed to keep its commitment to them (public sector banks = 73.99%, private sector banks = 84.55%). Though, 26.7% customers of public sector and 15.45% were in support of the statement that their bank had sometimes failed to keep its commitment to them.

• 21.96% and 24.54% of the bank customers of public and private sector stated that they were never harassed during recovery of the loan amount or the activities of direct selling agents.

• 14.45% customers of public sector bank and 34.55% customers of private sector bank had registered complaints in their banks relating to their products/services. However, 85.55% customers of public sector bank and 65.45% customers of private sector bank did not register any complaints in their banks relating to their products/services.

• Both the public and private sector customers have given multiple responses and rated ATM transactions (50.76% and 39.71% respectively) as the highest prone area for complaints, followed by credit/debit card by the public sector bank customers and levying of charges by the private sector bank customers.

• 61.27% and 49.09% customers of public and private sector banks are unaware regarding the existence and functioning of Banking Ombudsman Scheme. However 38.73% and 50.91% of the bank customers of public and private sector have the knowledge relating to this scheme.

• None of the customers from the public sector has actually filed a complaint in the banking ombudsman, private sector customers accounting for a mere of 0.90%. The responses of the customers were independent of the type of banks they worked.
- 73.99% and 64.55% customers of the public and private sector banks rated that their bank as good, 23.70% and 23.64% of the different type of banks rated as very good and the remaining 2.31% and 11.81% rated their banks as excellent. The customers are satisfied relating to the functioning of the banks in an ethical manner.

- 69.94% customers from the public sector banks asserted that they do not feel the need to change their bank account to any other bank whereas 27.74% felt that their chances are very less and a mere 2.31% feel moderately about changing their bank account. In case of the customers from private sector there is a mixed response as 44.55% doesn’t feel the need to change yet 42.72% feel that their chances are very less. However 7.27% moderately has the chance and 4.55% customers feel that they fairly have the chance to close and open a new account in another bank. One of the customers is disappointed with his present bank and has a very high chance to immediately close his present bank account with the existing private bank.

- The public sector respondents rated insufficient safety measures installed in the ATMs (20%) while the private sector respondents rated that the customer’s unawareness and fault in withdrawing money from the ATMs as the highest (i.e. 19.46%) being the prime reason regarding the bank fraud.
6.2 FINDINGS ON THE BASIS OF SECONDARY DATA:

6.2.1 FINDINGS ON THE BASIS OF DATA FROM BANKING OMBUDSMAN:

- The number of complaints registered by the customers in the office of banking ombudsman in the state of Assam has been on a gradual rise since the last 5 years. In 2008-09 the recorded complaints was 390 which increased to 456 in 2009-10, 482 in 2010-11, 536 in 2011-12 and 617 in 2012-13. This increase in mainly due to the efforts undertaken by the banking ombudsman office by organising a number of meetings, press meets and awareness campaigns all over the region.

- Amongst the other mode of receiving complaints viz; e-mail, fax, online etc., the customers mostly prefer to register their complaints through post. The major factor responsible for the decrease in the usage of electronic mode is due to poor connectivity and lack of internet accessibility in the North-eastern region.

- Over the last 5 years, the majority of the complaints are received from individuals, whereas the numbers of complaints received from other concerns viz. business, Government department, proprietary etc. are comparatively less.

- Regarding the subject of complaints, card related complaints including credit and debit cards still account for major chunk of complaints even though it has come down from 195 in 2011-12 to 184 in 2012-13. The share however has come down from 28% to 23%. Complaints relating to non-sanction of loans and failure to fulfill commitments form the next major group.

- Amongst the mode of disposal of complaints over the last 5 years, number of complaints disposed off records the highest and continuous rise from 479 in
2008-09 to 529 in 2009-10, 595 in 2010-11, 722 in 2011-12 and 751 in 2012-13. It was followed by disposal by settlement and disposal by award.

- Complaints reaching the office of Banking Ombudsman prove that complaint redressal mechanism at branch/controlling office level is virtually non-existent. Most of the complaints at Banking Ombudsman level are settled at conciliation meetings. Thus, if handled properly, these could have been resolved at branch/controlling office level.

- Amongst the banks under the study, State Bank of India accounts for the highest number of complaints i.e. 357 in the public sector and HDFC bank Ltd. has 36 complaints during 2012-13. There have been a number of complaints regarding fraudulent transaction through internet banking. It is pertinent to note that such complaints in the North eastern region are against State Bank of India only. When enquired from the complainants it was informed that that they never applied for internet banking facility neither they ever done any online transaction.

### 6.2.2 GENERAL FINDINGS:

- It has been observed from the study that there is a strong relationship between personal ethics and professional ethics. A person is bound to behave in the manner in which she/he has grown up with their individual code of ethics. Even though a person may try to hide their lack of personal ethics from the public view, yet during a situation of dilemma and stress an individual do exhibit unconsciously the actions which are in their belief. These may disclose their sense of ethical insight.
• The banks under the study including both public and private sector conducts various training on banking issues but only few sessions of training in ethics is imparted during the behavioural training. No exclusive training is given to the Indian bankers regarding banking ethics.

• It is seen that CSR activities are usually carried out by the bank branches located in the big cities which is not the scenario of the branches located in the small cities and towns. Moreover mere compliance with the rules or carrying out welfare initiatives for the staff does not fall in the ambit of CSR. There is also a lack of regulation as well as uniformity of CSR activities amongst the bank branches itself. It is also observed that the CSR activities of the banks are mostly in the same areas leading to duplication and hence some significant and deprived areas remain unattended.

6.2 SUGGESTIONS:

The following are few suggestions made by the researcher:

• First and foremost, ethics should be inculcated at a grass root level and thereby a curriculum should be particularly designed for ethics education for the students at the school level till they reach university by conducting academic programs, assessment, case studies, workshops etc. in a phased manner. This will undoubtedly help them to prepare themselves for the future as they would have an opportunity to learn and handle the professional and personal dilemmas in decision making where ethics comes to play. They will be much more at ease while making personal choices and business decisions.
• Ethics when it is labeled within the norms of legality there are every chance of the standards or rules not to be complied with. It is important to hire people with a strong sense of personal ethics but however doing so will not be an easy task. A banker manages the money deposited by the public and hence they are entrusted with a very responsible and accountable job. Both public and private sector banks should incorporate rigorous psychological test in addition to their writing and interview test, in order to know the person’s perception regarding ethical predilection before they are hired. In the same way promoting people exhibiting poor ethics must be sternly discouraged as it will have an adverse impact in the organisation they will work for.

• Mere presence of code of ethics will not ensure practice of ethics in banks unless it is strictly followed and there should also be ethical officers to enforce the rules and make the employees accountable on failure to comply the ethical principles. Meetings should be conducted on a regular basis to review and update the code.

• The code must be flexible and must be updated in order to adapt according to the changing banking environment. The code should cover all the areas where the chances of ethical dilemmas are more so that the employees can easily refer without much difficulty.

• Training systems of banks to focus on creation of talent pool of officers in ethical behaviour apart from the other critical areas like Treasury, Corporate Credit, International Banking, Retail Banking, Social Banking, Technology,
Risk Management, Marketing, Infrastructure Financing, Financial Inclusion etc. Professional and ethical behaviour must be practiced and encouraged to polish the Indian banking system and make it more efficient.

- Employees should be motivated to report if they observe any unethical activities by providing them due recognition and awards. They should also be provided with enough security so that they are not hesitant in coming forward and reporting the matter to the senior officials.

- Corporate Social Responsibility is an important aspect of ethics and there is a need for creating general awareness about CSR amongst the public to make CSR initiatives more effective particularly in banks. It is recommended that appropriate steps be undertaken to address the issue of building effective bridges amongst all important stakeholders for the successful implementation of CSR initiatives.

- Electronic banking has been recognised as one of the most vulnerable issue for banking frauds. Installation of anti-virus systems, transactions through secured websites, avoiding links received via e-mails etc. must be ensured and publicized by the banks before the customers operate through e-banking. There should be a separate Security Officer or Group dealing exclusively with information systems security. Periodic penetration tests of the system should be undertaken either by the security officers or external experts (also known as ethical hackers) in areas like; attempting to guess passwords using password-cracking tools, checking of commonly known holes in the software etc.
• The banks should review their security infrastructure and security policies regularly and optimize them in the light of their own experiences and changing technologies. They should educate on a continuous basis their security personnel and also the end-users.

• Security infrastructure should be properly tested before using the systems and applications for normal operations. The bank should upgrade the systems by installing patches released by developers to remove bugs and loopholes, and upgrade to newer versions which give better security and control.

• The bank customers too have the responsibility to inform or file a complaint if they witness any such activity which is against the ethical practices of the bank. Failure on the part of the customers to discharge this vital task will further encourage the bank personnel to indulge into unethical activities.

• The banking ombudsman office must further popularise its scheme by conducting lectures and discussions in colleges, university, urban as well as rural areas etc. as it is observed that irrespective of the level of literacy most people are ignorant about the existence and efficacy of the scheme. The scheme will be a success only if people are aware of its usefulness.

• A monitoring mechanism should be developed at controlling office level that should go into the details of efforts made to resolve each complaint lodged at the office of Banking Ombudsman. The current system of Nodal Officers is insufficient to resolve the grievances of the customers of banks.
6.3 CONCLUSION:

It is imperative that the stakeholders are conscious relating to the ethical practices of their respective banks. The customers, investors- both individual and institutional can play a vital role by exerting pressure on the banks and regulators that banking practices and ethics will have to go side by side. From the study, it has been observed the Indian banking system will further grow not only in size but also in complexity in the years to come. As competition gains further momentum, banks are expected to get more integrated with the economy both domestically and globally. As the activities of the banking system expand, there would be a further need to focus on the ethical standards and practices of banks. In the coming years the concept of ethics in banks will attract more attention, whereby, complying of applicable rules and regulations from the regulator as well as the bank itself will become the prime requisite. In day to day functioning and operation of the banks, the quality and character of the bank management would play the role of primary line of defense against banks’ potential distress and all unethical doings. In this context, the supervisors would need to focus on strengthening management and management systems within the banks. Even the banks abroad have realized the importance of being ethical and so they have gone beyond their internal code of conduct and are trying hard to see that their money has been properly utilized and their moral implications. In India, RBI and BCSBI must act stringently and implement strict ethical criteria in order to avoid ethical lapses which results into flouting of trust. When there is ethical plummet within the bank, the effect will be grave resulting into decline in the employee productivity and encouraging more ethical violation. In the due course it would erode the confidence and trust of the customers, clients and all the stakeholders thereby affecting the entire society. Thus, the need of the hour is to have an ethically sound and respectful banking sector in India.