The Value System of Commercial Banking in Kenya: An Ethical Perspective

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Abstract

The core intent of this research paper was to understand the universality of the value system practiced by commercial banks, the effectiveness of loans, equality in banking services and the reliability of the products offered with respect to ethical banking in Kenya. This research forms a framework for ethical banking in the industry by recommending concrete measures on the cases of increasing financial slavery, indiscriminate banking, and unethical conduct. A major finding was found to be that in order to create a formidable ethical banking in Kenya, commercial banks have to be at the fore front of embracing and employing ethical considerations in their banking practices. This study is focused on the ethical considerations in banking industry in Kenya. Taken as a whole, our findings suggest that, there is need to embrace ethical values by commercial banks in creating an ethically inclined banking environment.

Keywords: Banking industry, financial freedom, ethical banking, value system, ethical perspective

1. Introduction

The growth of banking services in Kenya is an act that has brought revolution in financial freedom and independence. Few Kenyans have enjoyed the services of commercial banks in the country without questioning the means and manner with which their financial services provider extend such services and products to them. While one would expect commercial banks to practice highest levels of ethical banking, the Kenyan financial sector continues to experience unreported cases of unethical conduct by several financial providers. Our citizens have placed much trust and believe in those systems that sustain and uphold the values and morals necessary to succeed in today’s world. Such values and morals could be derived from ethical considerations and application in business operations (Garret and Kolonoski, 1990).

There are trends currently being witnessed in Kenya and other parts of Africa in the banking sector. It is expected that commercial banks will offer products and services that aim to raise the living standards of the poor and low income earners in the society. However, the trend has seen banks in Kenya convert their objectives to raise income for themselves at the expense of the society. A few researchers have underscored the range at which commercial banks and other financial institutions are conducting their business in unethical and unprofessional manners. For instance, Willium (1980) inferred that banks develop loans that can target small and micro traders and households. However, in the case of paying such loans, loanees are charged higher interests and in the event of inability to clear such debts, personal properties are sold thus increasing the level of poverty in the society. This has made most users of small loans to become enslaved in modern banking systems so as to pay for their debts (Brennan, 2003). In addition, there is inequality in service and product provisions in the banking system between middle and low income earners. Some researchers have questioned the effectiveness of the loan system with respect to improving the needs and wants of the society. Such loan systems are only designed to raise money that can support the income generation of the commercial banks. An effective loan system should be able to maintain standards of morality rather than reducing the value of the members of the society (Shleifer, 2000).

Banking and finance as a profession have an intrinsic value chain which is interwoven with the cycle of providing adequate financial products and services. As long as there are no bank guidelines or criteria on ethical, social and sustainability aspects, the individual co-worker or the lending committee are generally applying the ‘neutrality rule’, excluding ethical, social and environmental considerations from the bankers´ decision making.

In reality however, money is not neutral and it involves responsibilities from its inception and along the distribution chain where it has to do with value creation, not only pure financial value but also human, social and environmental added values (Greenberg and Baron, 2000).

Extensive research shows that responsible and ethical business practices pay off in the long run in better customer and employee relations as well as societal growth (Greenberg and Baron, 2000). A growing number of polls, commercial reports and academic research indicate the positive effects of responsible firm behavior on business performance and stakeholder responses.

As noted, the relevant norms affecting financial institutions are laws and ethics that govern their operations and activities (Sinclair, 1993). While laws apply equally to all firms, ethical norms in the organizational setting are more specific to tasks and situations which members in a firm face (Hazard, and Geoffrey,1995). Davies (2001) identifies some of the ethical norms for financial institutions as conduct operations with integrity and due skill, care and diligence, organization of the affairs responsibly and effectively with adequate risk management systems, observe proper standards of market conduct, ensure that conflict of interest does not exist, pay attention to the interests of its customers and treat them fairly (Brennan, 2003). This research is therefore intended to present key ethical issues that commercial banks in Kenya ought to consider if they have to contribute to the attainment of ethical banking in their industry and the whole of Kenya. It is our view that any business including commercial banking needs ethics otherwise it will grind into a halt. (Gichure 1997)

2. Problem Statement

Banking environment and industry is the fastest growing sector in Kenya. The sector is key to financial freedom and independence among the larger members of the Kenyan population. In the recent past, commercial banks and other financial institutions have received much attention from researchers and scholars on the manner of the ethical embracement in their business operations. For instance, Werber et al., (2009) inferred that banks develop loans that can target small and micro traders and households. However, in the event of paying such loans, loanees are charged higher interests and in the event of inability to clear such debts, personal properties are sold thus increasing the level of poverty in the society. This has made most users of small loans to become enslaved in modern banking systems so as to pay for their debts. Other researchers have questioned the universal value systems embraced by commercial banks with respect to reduction of corruptions, favoritism and bribery (Phillip, 1985). In addition, there is inequality in service and product provisions in the banking system between middle and low income earners. Some researchers have questioned the effectiveness of the loan system with respect to improving the needs and wants of the society. Such loan systems are only designed to raise money that can support the income generation of the commercial banks. An effective loan system should be able to maintain standards of morality rather reducing the value of the members of the society. The core intent of this research paper was to understand the universality of the value system practiced by commercial banks, the effectiveness of loans, equality in banking services and the reliability of the products offered with respect to ethical banking in Kenya.

3. Research objectives

This research was guided by both general and specific objectives

3.1 General objective

The main objective of this research was to establish the value system of commercial banking in Kenya with respect to ethical considerations.

3.2 Specific objectives

The specific objectives of this research were:

(i) To find out whether commercial banks are employing universal principles in their operations
(ii) To investigate the effectiveness of the loan systems run by commercial banks
(iii) To establish if equality is observed in banking services
(iv) To ascertain the reliability of the products offered by commercial banks in society improvement

4. Literature Review

The review of literature seeks to understand the relationship between role of ethics in business, relationship between ethics and banking and principles of ethical banking.

4.1. Role of ethics in Business operation

Business ethics may be defined as a group of moral actions of an individual, as the element of a collective, that he/she adheres to during all forms of business activities without damaging the business relationships within the business system and the wider environment (Phillip, 1985).

Public attention has lately turned towards debates about business ethics, as the social responsibility of the individual and the collective. The question arises as to whether business has anything to do with the morality of the individual and the collective (Schwartz and Archie, 2003). Many people deny the connection between ethics and business, believing that the place of morality is within religion, while others perceive the interconnection between morality and religion (Badi & Badi 2009). Every business activity has certain things in common with morality and moral actions of an individual or groups. (Githui 2012)

Business ethics has two basic dimensions of expression and demonstration, which include: Collective ethics and Individual ethics.

Collective ethics includes the application of ethical principles in the management's decision- making that refers both to external subjects and the environment and the ethical relations within the business system itself (Greenberg and Baron, 2000). Individual ethics involves adherence to the norms of customary business morality. If an individual has a deficit of ethical morality it means that they put their interests before the collective and legal norms, and before the norms of customary business morality, which can damage the business climate. Individual ethics is (Terry, 1996) the basic element of group or collective ethics.

It is certain that opposed stands regarding the relationship between business and ethics are gaining importance. This issue has become increasingly important both in the developing countries and the countries in transition. As John Costa says the business world is full of scandals, starting from trade, banks, insurance to the managers' false expenses (Brennan, 2003).

The lack of ethics destroys trust, and trust is a precondition for successful business operations and development. Therefore, each segment of work and operations of a business entity should respect ethical principles. All the employees in a company, from a director to a doorman, should stick to ethical rules (Sims, 1991). In doing their job, they should always bear in mind the general welfare. The respect of business ethics can be analyzed by monitoring the obligations arising from such principles (Davies, 2001).

The majority of ethical theories agree that if there is a conflict between obligations, the obligations towards society should be given precedence (Githui 2011). We should primarily respect the applicable laws of our country because each failure to respect the law means the violation of ethics. The protection of the employer's interests is in practice often referred to as *"the working ethics"* (Phillip, 1985). It is unnecessary to differentiate between the obligations towards the employer and the obligations towards the management because their interests are very rarely opposed (Sinclair, 1993). Every client is important for business. An employee's failure to fulfill their contractual or ethical obligations towards a client may violate the ethical principle (Phillip, 1985). Ethical obligations towards one's profession originate from the same sources as obligations towards one's colleagues. An employee may improve or damage his profession, regardless of their behavior towards colleagues (Githui 2011). For example, constant disrespect for contractual obligations may not only harm the reputation of the person who violates these obligations, but also the reputation of the entire profession (Shleifer, 2000).

The ambition to achieve business success encourages individuals and groups to disrespect the rules of the game in order to obtain a certain business advantage. Certain business information has to be kept secret so that it cannot be easily accessible to competitors in the market. In that case, the ethical principles are not violated and the competition is not endangered (Sims, 1991).

An important moral task is to define the ethical line between personal moral standards and business morality, i.e. the activity imposed by the bank (Terry, 1996).

This task requires constant questioning to prove the personal worth of an individual. Even the businessmen who are truthful tend not to say the whole truth. This is why it takes a lot of skill to meet both the collective and individual requirements regarding business ethics (Sinclair, 1993). We should achieve success without doing harm and being unfair to another. There are numerous examples of different affairs in business practice, which is why this topic deserves special attention in research and education.

4.2. Relationship between ethics and Banking

Philosophical ontologism based on the concept of good as opposed to evil helps us define the banking business from the point of view of ethics (Artigas 2006). The idea of awareness or conscience of the need for banking products or services inevitably comes to mind. We concur with Dobson argument that this simplified parallel leads to the conclusion that full awareness of and the related ethics about the importance of banking products and services is imminent to all economies, regardless of their economic development (Dobson, 1993). A number of companies in the loan market misrepresent their revenues in order to acquire funds and reduce their loan costs. Revenues are thus artificially increased and costs deflated. Such corporations have set their own benchmarks for reporting revenues to lenders and the public, desisting at the same time from generally accepted criteria for determining revenues (GAAP - Generally Accepted Accounting Principles). Therefore, loan officers must be very cautious since many clients may present misleading profit figures (White, 2010).

It is in view of many scholars in the banking sector that banking officers should be specifically focused on the financial statement. It is generally recognized that banks, just like other financial organizations, are prone to manipulations with their financial statements at the end of a quarter or a fiscal year. This "customized accounting" which serves to conceal true financial standing of a bank may seriously harm the financial system efficiency (Epstein &Spalding 1993).

A bank is liable to run business books in compliance with the banking chart of accounts, preparation of bookkeeping documents, evaluation of assets and liabilities, drafting of financial statements in accordance with applicable regulations and professional standards (the Central Bank in a country may prescribe, for the purpose of public announcement, a type, form and content of statements, method and deadlines for their publication (Taleb and Mark 2009). A bank must organize the internal audit which should conduct its activities in an independent and impartial manner, and contribute to the development of the bank's operations through its advisory services. The internal audit of the bank's operations should conform to the operating principles and business ethics code pertaining to internal auditors (Davies, 2001). In its work, the internal audit should harmonize the methods of its work with the work of external auditors. The person in charge of internal audit tasks should not be involved in other activities within the bank. If the internal audit unveils any case of illegal operation and violation of the risk management rules in the course of its inspection of specific fields of bank operations, the department must promptly inform the bank's management thereof (Archie, 1979).

Raising consciousness and responsibility by the practitioners of ethical banking are essential in their mission and ambition. They make the choice to only finance projects and organizations that contribute to a more sustainable society and they define absolute criteria about who they will not lend money to, for example non-sustainable products and/or services and those involving unsustainable working or production processes. Their specific products and services reflect these values and intentions (Dobson, 1993).

Banking business is attractive for illegal transactions only if the effectiveness of a controlling mechanism for a consistent conformity with the operating principles is missing (Berg, 1993). Continuous monitoring is a significant activity for banking operations, since the very nature of this activity involves a rapid change along with innovations. In traditional banking activities, this problem is clearly seen, since some sort of records is kept on transactions (Rangarajan, 2000).

4.3. Principles of Ethical Banking

The basic ethical principles in banking as adopted from Muhammad and Jolis, (2001) are:

- **Principle of mutual trust** is of special importance for successful functioning of the business system. Important and valuable deals are very often contracted over the phone, in the absence of witnesses, while the relationship between the participants is dominated by the inviolable principle of mutual trust.

- **Principle of mutual benefit and interest** means that none of the partners in a business relationship should feel cheated;
- **Principle of good intentions** is very important for business ethics and moral behavior.
- This principle means that there is no intention to treat the business partner in an immoral way, whether it refers to deception, theft or some other undesirable way of treating a business partner;
- **Principle of business compromise and business tolerance** refers to the harmonization of the conflicting interests of participants in the business process;
- **Principle of ethical improvement of business behavior** represents the business partner's readiness to accept the mistake that has been made as a result of his own actions.
- He should admit the mistakes and respond in an appropriate way;
- **Principle of demonopolization of one's own position**, because monopolistic behavior on the market does not contain any ethical market value and
- **Principle of conflict between one's own interests** refers to the inability to relate common to personal interests, with simultaneous adherence to the same ethical values. The violation of ethical principles in banking occurs when the lenders take too much risk, trying to find a loophole that allows them to approve more loans. Strict adherence to the law and regulations in the field of banking makes it possible to grant loans to all the qualified clients in a fair way.
- The bank managers should possess the following qualities as inferred from the banking code of ethics:
- **Humane values,** which is a duty of every individual, a prerequisite for proper life. It involves a correct cooperation with other persons,
- **Unselfishness** implies that the bearers of managerial functions should bring in conformity their conduct with the bank's business policy. They should not adopt and implement decisions in order to derive financial or material benefits for themselves, their families or friends. In exercising their duties they should demonstrate professionalism.
- **Integrity**, the bank's managers should be very cautious in providing financial services to their clients, so as to avoid clients' influence upon the conduct of their activities;
- **Objectiveness**, impartialness, equitability and an ambition to set even-handed criteria and goals of ethical behavior.
- **Responsibility** for all their acts and decisions;
- **Honesty** in terms of resolving any conflict of interests which may arise;
- **Leadership**, bearers of managerial functions in a bank should promote and support these principles guided by personal example.

4.4. Conclusion of the Literature Review

Ethics is a set of moral values and principles related to society. The application of ethical principles contributes to the attainment of financial moral (Fisher &Lovell 2009). The domination of ethical principles implies the elimination of criminal operation of commercial banks, i.e. less frauds, bribery, and corruption. Given that economy cannot successfully function in the absence of ethics and morals, the necessity of introducing ethical code is frequently advocated (Hazard and Geoffrey, 1995).

In the banking sector, the business ethics principles would be implemented in an organized fashion, aided by normative and legal regulation in the field of bankers' business activities. The application of the code of ethical principles would establish a defensive mechanism in the area of application of ethical values since the position of a particular profession requires more stringent moral standards and involves sanctions for the breach of the same. In developed countries, the issue of ethics is closely attended to (Brennan, 2003).

5. Development of the conceptual model

In order to guide the researcher, the model consisting of the variables was developed. This framework consisted of both independent and dependent variables. Its diagram is as represented below. The independent variables were value system, effectiveness of loan systems, equality in service provisions and social focus. The dependent variable was ethical banking. ***(Note 1)***

6. Research Methodology

The objective of this research was to determine the value system of commercial banking in Kenya with respect to ethical consideration, by administering a predesigned survey questionnaire, from the feedback of bank customers, bankers and financial consultants in Kenya. Bank customers, bankers and financial consultants were sampled from different locations of Kenya as the population of the study. A questionnaire consisting of twenty questions was distributed among the sampled population. Three options were given to the respondents i.e., Yes, No and Sometimes. The feedback was analyzed and tabulated using simple computer applications like MS Excel and standard software.

The pre-designed questionnaire was administered among the sampled population of 150 in total either by personally visiting the financial consultancy firms, banks or by collecting information through telephone. A total of 147 questionnaires were returned, netting a response rate of 98.8 percent. An attempt was made to include all the participants in the sample, and all of the returned questionnaires were utilized in the final data analysis. The collected data was then analyzed and tabulated in the form of data tables with the aid of Statistical Package for Social Sciences (SPSS). Based on the information collected through the questionnaire, the problems related to ethics in the banking industry of Kenya were identified and the probable solutions were suggested to improve the practices of commercial banks in line with the ethical concerns.

6.1 . Research Findings

The data analysis was carried out using the SPSS and presented in correlation analysis and measures of central tendencies.

6.1.1. Descriptive statistics of the research variables

With regard to the variables of the system of banking developed from the conceptual; framework, so as to build on ethical banking, it was established that value system holds the highest consideration towards creation of ethical banking. This variable had, a frequency recorded 131, mean of 3.1897, median of 3.200 and standard deviation of 0.75874. The variable of effectiveness of loan system was after analysis found to have a frequency of 132, a mean of 2.5773, median of 2.500 and standard deviation of 0.72983. The variable of equality in service provision had a frequency of 131, mean of 2.5530, median of 2.400 and standard deviation of 0.71773. The variable of social focus had a frequency of 130, mean of 2.6969, median of 2.600 and standard deviation of 0.70603. The summary of the above findings has been presented in table 1 below. ***(Note 2)***

6.1.2. Pearson Correlation Analysis of the Variables

The research sought to find out the relationship between the formulated variables and ethical banking. This was to be based on value system, effectiveness of loan systems, equality in service provision and social focus. In order to effectively measure the objectives and the research variables as formulated in the conceptual framework, the researcher carried out a Pearson correlation analysis using the SPSS software. The analysis was carried out to find the correlation between the dependent and independent variables respectively. Results from the analysis have been presented in different tables as reflected.

6.1.3 Pearson Correlations between Ethical banking and independent variables

After a Pearson correlation was carried out on the ethical banking and individual variables, it was noted that these variables independently affect the overall ethical performance of a company. The relationships between ethical banking and value system showed a positive correlation of**.217** and a significant level of **.010**. The relationship between ethical banking and effectiveness of loan system had a positive correlation of **.109** and a significant level of **.245**. There was also a positive correlation between ethical banking and the equality in service provision with a correlation of **.196** and significant level of **.020**. A comparison between ethical banking and social focus also showed a positive correlation **of .127** and significant level of **.310.** The summary of the findings has been presented in table 2 below. ***(Note 3)***

6.1.4 Pearson Correlations between ethical banking and Value system

The Pearson correlation showed **0.235** relationships and the significant level was **0.010.** The relationship shows that there is a significant positive correlation between ethical banking practices and banking value system.
The two variables ethical banking and value system show that with the use of universal values and principles in facilitating end transactions has a potential value on the creation of ethical banking. The results have been shown in the table 3 below***.(Note 4)***

6.1.5 Pearson Correlations between ethical banking and effectiveness of loan system

The Pearson correlation showed **0.201** relationships and the significant level was **0.298.** The relationship shows that there is a significant positive correlation between ethical banking practices and banking value system. This showed that an effective loan system has an effect on the ethical banking and proper loans can be developed to target relevant clients.

The results have been shown in the table 4 below. ***(Note 5)***

6.1.6. Pearson Correlations between ethical banking and Equality in service provision

The Pearson correlation showed **0.151** relationships and the significant level was **0.007.** The relationship shows that there is a significant positive correlation between **ethical banking** behaviors and **Equality in service provision**. The results have been shown in the table 5 below. ***(Note 6)***

6.1.7 Pearson Correlations between ethical banking and Social focus

The Pearson correlation showed **0.173** relationships and the significant level was **0.000.** The relationship shows that there is a significant positive weak correlation between **ethical banking practices** and social focus. The results have been shown in the table 6 below. ***(Note 7)***

6.2. Research Discussion and Recommendations

6.2.1. Research discussion

Current literature has highlighted the need for good ethical practice and professional conduct in banking industry. The objective of the survey was to investigate the current system of commercial banking with respect to ethical banking practice through a questionnaire survey of a sample of professionals in Kenya with special focus to the banking industry.

Davies (2001) identifies some of the ethical norms for financial institutions as conduct operations with integrity and due skill, care and diligence, organize the affairs responsibly and effectively with adequate risk management systems, observe proper standards of market conduct, ensure that conflict of interest does not exist, pay attention to the interests of its customers and treat them fairly.

As noted in the introduction and the research findings, achieving professionalism in the commercial system of banking in Kenya lies barely on the moral and ethical nature of the participants (banks). The banking processes should solely focus on espousing the moral (and sometimes legal) connotations of the concept of responsibility, and fair conduct in service delivery (Polo 2008) and what it means to be held responsible while relating these to banking practices. Banking is a business concerned with protecting and growing people's money. As such, one of its principal purposes is to generate wealth, in the form of financial returns for its shareholders.

The literature review ha further demonstrated that in any industry, it is understandable and acceptable that banks try their best to maximize their investments. It is therefore logical that banks charge interest rates on the loans and financing activities they offer to their clients. However, banks that charge excessive interest rates, abusive commissions, or ultra-profitable credit charges that go beyond reasonable standards for taking an extra benefit from a specific situation is detriment to their customers, thus increasing poverty and misery among many of its clients and thus guilty of usury. Usury may be defined as demanding significantly more money back from customers than is just and fair (Muhammad and Jolis, 2001).

The assets a bank lends and invest should be handled responsibly, even moreover so, when we consider that the bank is investing and lending money that belongs to other people, i.e., the individual and institutional investors whose money they manage.

Engaging in excessively speculative investments and irresponsible credit lending practices is morally unacceptable, and in many cases, not even good business (Brennan, 2003). Therefore, bankers and financial professionals should take a responsible approach in all investment and lending operations with its customers' money.

From the literature review and the findings from the focus group, it is our scholarly view that it is possible to establish ethical banking in Kenya. This is because, better ethically-responsible, respectful banking and financing industries are not only possible, but also highly desirable, and they are already starting to emerge. Some banks mainly small institutions in developed countries have realized the importance of being ethical beyond their internal Code of ethics, professional values and principles which are beyond what is strictly within the banks an operation. Individual and corporate investors, both internal and external will play a key role in putting pressure on banks and regulators to let them know that banking practices cannot go on independent of ethics any longer. The relevance of what banks do with the people's resources is critical.

6.2.2. Recommendations

- **(i)** In the final analysis the researcher has found that, the embracement of universal value system to practitioners of ethical banking, raising consciousness and responsibility are essential in the banks missions and ambitions. The banks make the choice to only finance projects and organizations that contribute to a more sustainable society and they define absolute criteria about who they will not lend money to, for example non-sustainable products and/or services and those involving unsustainable working or production processes. Their specific products and services reflect these values and intentions.
- **(ii)** We further recommend that banks should ensure that their activities are not driven by Usurious practices. This has been shown by banks that charge excessive interest rates, abusive commissions, or ultra-profitable credit charges that go beyond reasonable standards for taking an extra benefit from a specific situation in detriment to their customers. Thus, it is expected that banks in Kenya will take care to implement policies that prevent wrong-doing in the form of usury and similar sorts of abusive practices.
- **(iii)** The social focus in commercial banking is essential. With the exercising of banking business, the company aims to contribute to social renewal, based on the principle that every human being should be able to develop in freedom, has equal rights and is responsible for the consequences of his economic actions for fellow human beings and for the earth.
- **(iv)** The commercial bank's loan books should be 100% mission based (ethical, social and development of society aspects in the mission) which is high compared to lending by other social banks and exceptional compared to mainstream banking practices where lending is ethically neutral
- **(v)** The choices of lending should be clearly defined and are only in selected key areas and subsectors in commercial banking. The lending process should ensure that each selected project meets absolute criteria which measure the potential negative impact of a borrower's activity on people and the environment so as to be very effective.
- **(vi)** The lending criteria should be strict for all commercial banks, publicly available and in accordance with the bank's other activities such as risk capital investments, investment funds under management and other asset management activities so as to avoid cases of favoritism, corruption, bribery and money laundering. The criteria are regularly reviewed and refined as changes in the market and trends develop. Such activities should be included in the bank's ethical committee meetings, which every bank ought to have.
- **(vii)** The degree of transparency on lending activities should be very high due to systematic publications on the lending activities by commercial banks, which ought to be guided by trustworthiness.
- **(viii)** The commercial banks services should strive to ensure that they follow the principle of equality and fairness in providing services to clients.

In our view, these aforementioned recommendations should be embraced by commercial banking industry if Kenya is to achieve it's vision of becoming a middle level industrial nation in the year 2030.

6.3. Research Limitations

This research was carried out following a Kenyan perspective and mainly applicable to its culture and way of life of her citizens. Therefore, a major limitation is that it may not be applicable to other countries due to cultural differences and background.

6.4. Future work

This research was carried out based on the banking industry in Kenya while focusing on the ethical programs likely to improve the performance and delivery of bankers in Kenya. Future work may be carried out to investigate the effects of ethical banking industry, on economic growth and overall, the effects of banking industry on the rapidly growing population of the country.

6.5. Conclusion

Although private community and development banks, microfinance banks, ethical, environmental and social banks and ethical funds differ in terms of focus, assets, clients, products and business culture, they have in common to practice banking and investment with a human development mission. The differences tend to be rather complementary qualities that can be fertile in combination with each other. They are all delivering an innovative and human value contribution to the value-neutral financial system. Ethical banking as it has been described above stands in a historical line of continuous search for the application of ethical principles in banking and is in line with broader trends in the 21st century such as the emergence of civil society and the new social class of cultural creative's, growing consumer awareness, social justice and environmental movements and the growing recognition of social entrepreneurship in a increasingly globalised world only to name but a few.

Ethical and moral values are now more than ever a subject of personal choice, behavior and responsibility. At the same time, more and more people are individually looking for values to incorporate in daily life. As contemporaries on their way, they are part of an ongoing process of search and practice linking up and networking with other people, creating new forms of social cohesion. Instruments such as ethical banking processes, products and services and money as a subservient tool could be of great help.

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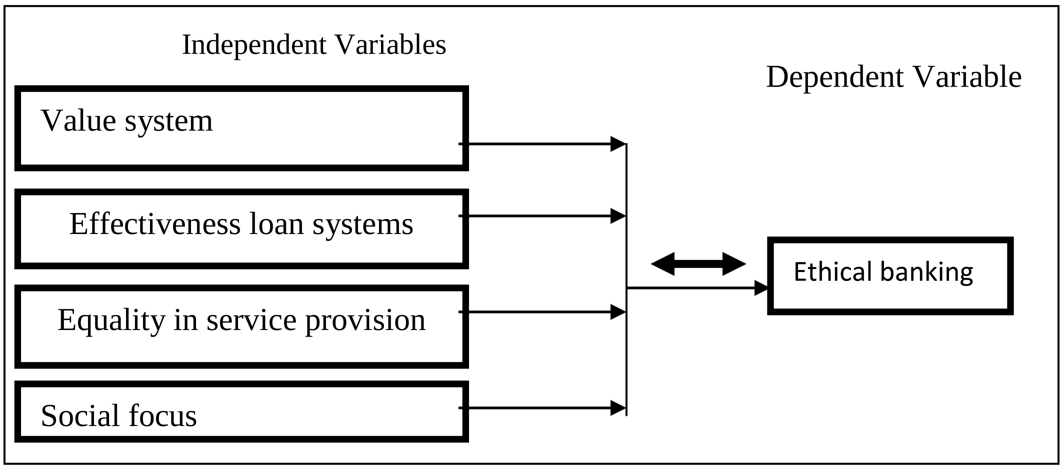
Notes

Note 1

Fig 3.1Conceptual Frame work



Source: Author (2012)

Note 2

Table 1: Summary of descriptive analysis of the research variables

Variable	**Frequency**	**Percentage**	**Measures of Central Tendency**		
			Mean	**Median**	**STD Deviation**
Value system	131	87.33	3.1897	3.200	0.75874
Loan system	137	91.33	2.5773	2.500	0.72983
Equality	138	92.00	2.5530	2.400	0.71773
Social focus	134	89.33	2.6969	2.600	0.70603

Source: Researcher, (2012)

Note 3

Table 2: Pearson Correlations between ethical banking and individual variables

		Values system	Loan effectiveness	Equality in service provision	Social focus
Ethical banking	Correlation	**.217**	**.196**	**.109**	**.127**
	Sig (1-tailed)	**.010**	**.020**	**.245**	**.310**
	N	150	150	150	150

Source: Researcher, (2012)

Note 4

Table 3: Pearson Correlations between ethical banking and Value system

		Value system
ethical banking	Pearson Correlation	**.235**
	Sig (1-tailed)	.010
	N	150

Source: Researcher, (2012)

Note 5

Table 4: Pearson Correlations between ethical banking and Effectiveness of loan system

		Effectiveness of loan system
ethical banking	Pearson Correlation	**.201**
	Sig (1-tailed)	.298
	N	150

Source: Researcher, (2012)

Note 6

Table 5: Pearson Correlations between ethical banking and Equality in service provision

		Equality in service provision
ethical banking	Pearson Correlation	**.151**
	Sig (1-tailed)	.007
	N	150

Source: Researcher, (2012)

Note 7

Table 6: Pearson Correlations between ethical banking and Social focus

		Social focus
ethical banking	Pearson Correlation	**.173**
	Sig (1-tailed)	.000
	N	150

Source: Researcher, (2012)