Bank Frauds Using Digital Devices and the Role of Business Ethics
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Abstract
The paper focuses on the use of digital devices to commit the banking frauds in collaboration with bank employees. There have been enormous cases of small and large size embezzlements, illegal deductions and frauds with customers. Most of these frauds are accomplished using digital devices. The recent developments in computer networking, detection of illegal access to accounts by unauthorised attackers and hackers have made the task of protection to customers easier. This paper considers the role of business ethics in banking sector which may serve as a deterrent force for the employees. Several studies have revealed that the implementation of code business ethics produced encouraging results.

Keywords: Digital Banking, White Collar Frauds, Business Ethics

1. Introduction
In the recent days due to the rapid increase in business activities the role of banking sector has become challenging. The banking business mostly is carried out using computerized systems and automated knowledge based software and expert systems to operate and manage the datawarehouse, data marts, databases of customers and firms. According to [21], the customers do have fear of frauds in the transaction with the banks. The customer demands fast processing of the transactions. Various I.T. systems provide the bank employees to commit frauds with the customers. This demands utmost honesty by the operating bank officers. According to [21], the digital bank frauds also create bad reputation of the bank and imply inefficient operational behaviour in spite of high speed processing facilities and technical assistance. Therefore, the business ethics has to play a pivotal role in banking sector. References [1] to [19] shall be basis code of ethics presented in this paper.

2. Typical Bank frauds
Due to digitalisation in banking systems remarkable increase in offences and frauds are being committed both at large and small scale. The common Bank frauds are related to credit cards, Money Laundering, Internal misappropriations, mobile banking, through false Emails and misrepresentation of customers.
3. Business Ethics

Behavioural assumptions guide the economic theories and policies. The economic models are constructed and tested on the basis of behaviour; therefore, ethics, values and economic development go side by side. Values embrace the entire spectrum of subjective attitudes, judgments, interpretations and behavioural preferences. Truthfulness and trustworthiness in statements and actions constitute the basis of business ethics. Continuing professional development needs enlargement of knowledge and research.

The most salient features of business ethics are:
(i) Loyalty to client, employer and institution;
(ii) Avoidance of conflict of interests, bribery, harm to outsiders and public;
(iii) Respect of autonomy, privacy and of trade secrets;
(iv) Non-exploitation of Bank clients and fairness;
(v) Proper treatment of subordinates;
(vi) Protecting honor and dignity of profession.

4. Operationally Feasible System for Business Ethics

In order to establish an operationally feasible system for business ethics, let us first analyze the notions of 'good', 'right' and 'duty'. The ultimate question of moral philosophy revolves round these important factors. Then the questions arises, how the pleasure should be exercised? Should it be exercised in a fair, impartial, judicious, honorable and in a moral manner without bias, victimization or favoritism?

Rationalistic ethics must treat virtue or character as itself part of the good to be promoted. The moral judgment in business is thus judgment of value. Morality is a categorical imperative in recognizing that performance of duty is the highest good. The moral judgements are normally accompanied by emotion.

5. Maxims of Morality

The ethical maxims such as prudence, benevolence and equity are self-explanatory, though they do not resemble mathematical axioms and theorems, but they are applicable (like mathematical formulae) to human conduct. Similarly, the factors like aesthetic judgements for objective validity and impartiality, good faith (in legal terms), humanity and social affection create a temperament in the field of business ethics.

Other ideal values such as value of knowledge, culture, intellectual activity, veracity, love of truth, purity, temperance and humility also do have a great deal of positive impact on practical ethics.

6. The Ethical Conduct in Business

The ethical conduct requires that one be free and accepts the responsibility that freedom bestows. A distinction can be drawn between ethical, legal and professional conduct. Ethical conduct relates to what is right and wrong in respect of voluntary behaviour. The usual norms of business and standards of conduct that are normally expected in business, so that the way the professionals conduct their activities and profession can be explained, judged or interpreted. Whereas, banking law, pattern of banking regulations, statutes, rules, legal standards and international conventions need to be strictly followed.

Apart from legal and professional standards, the spiritual, political and social values do have moral impact on the formation of structure of the business ethics. For example, restlessness adverse law and order situation and irresponsible attitudes of people in a country directly influence and adversely affect the Economic values, investments and productivity.

7. The Business Ethics of Islam

This derives wisdom from references from [1] to [19]. The binding force behind Business Ethics in Islam is faith and fear of Allah the Almighty. “Every religion has distinctive virtue and the distinctive virtue of Islam is modesty”.

In Islam “Every good work is charity” (Hadith Mubarak), where the term 'good' means what is acknowledged to be good, fit, decent, becoming, good conduct, obligingness, kindness, legitimate favor, bounty, and obedience towards Allah. HazratAmru Abbas” (91,2210); asked the prophet (PBUH) “What is Islam?” Prophet Muhammad Peace be upon him said, “Purity of speech and hospitality”. Islam changed the course of world history. The life of Prophet Muhammad Peace be upon him is the only perfect and ideal model of humanity, which helps to be enlightened in every aspect, department and field of existence as a legislator,
It is clear from the above that Islam is the seat of justice and faith upon earth which teaches furtherance of good and repression of evil. The whole corpus of Qur'an, Hadith and the holy life of Mohammad (PBUH) constitutes the Islamic Ethics, which implies the correct performance of duties and the right understanding of moral life and its doctrine.

The essence of 'Akhlaq' is considered together with politics and economics as a part of practical philosophy. Therefore, it is the science of virtues and the way how-to acquires them, of vices, and the way how to guard against them. Wisdom, valour, temperance and justice of course are associated with the Islamic 'Akhlaq' along with a large number of subordinate virtues of operational value.

In this section, we have highlighted the ethical aspects needed in banking business, implicitly; whereas, the holy injunctions of shari'ah have been explicitly portrayed. In the next sections, explicit discussion follows with special emphasis and application to banking sector.

8. Identification of Unethical Behaviour in Banking Sector

Negligent behaviour, fraudulent behaviour, deviant behaviour and moral dilemmas are common in banking sector. Unethical norms in various functions of banking are observed, such as receiving, collecting, transferring, and paying, lending, dealing, investing, exchanging and servicing money and money claims both domestically and internationally.

Private Banks, industrial, commercial, multistate, multipurpose banks and holding companies are often seen practicing unethical conduct in one way or the other. The private commercial banks working in credit to business and operations in the fields of “thrifts”, savings and time deposits, mortgages, lending and dealing with consumer loans, personal loans and securities business also have been involved in well-known unethical practices. Commercial banks and the “thrifts” are affected by new products and services of development by securities firms including money market funds.

The trust companies and financial enterprises are also engaged in many kinds of illegal and unethical practices while transferring money at home and abroad, collection and exchanges while providing services as stock transfer agent at the time of bringing the buyer and the seller together as travel agent.
8.1 Disinformation about Trade Data

Sometimes incorrect 'trade data' is deliberately floated to deceive and cause damage to other business counterparts by the businessmen. The indices of industry and commerce, statistical indicators of business conditions, the comparative parameters of business statistics on which business volume, activity, credit supply, price trends, profit prospects and investment opportunities depend are prepared carelessly due to negligence, inexperience or deliberately with dishonest intent.

8.2 Role of Auditors

Certain other important limitations and precautions which are to be observed in the profession are not followed properly. Substantial and serious errors are committed in the banking business due to poor accounting method and missing information. This leads to opportunities for frauds. Frauds also arise out of false declarations. Goods in transit may also be a source of fraud by certain companies. Some bank frauds are committed in collaboration with the auditors.

9. Political Influence and Accountability for Unethical Practices in Banking

Fraudulent extraction of wealth and money laundering are unethical, very serious and also illegal acts. There are also matters of financial bungling through banks. Tales of plundering the national exchequer are not uncommon. However, in the absence of any code of ethics, we will never know the whole truth. Financial bungling through banking sector and everything in this regard has been running as a desirable fashion. A notable flaw in such situations has been due to the absence of a clear demarcation between the 'practice of politics' and 'business interests'. Hence, as per democratic traditions, there is a need for clearly formulated rules aimed at eliminating the use of political power for the furtherance of politician's business interests by the banking sector.

9.1 Adverse effects on Banking Sector

Foreign investments, the world affairs, international money, world trading and economic crisis also give rise to many, unethical policies, which adversely affect banking business. The banking business collapses because banks and government lent far more money irrationally than they had when debtors defaulted. When investments are dried up, they lead to unemployment and protectionism.

9.2 Accountability

The process of accountability is the most important feature of democratic order. There can be no sensible argument against any government starting such a process. Accountability can only be maintained if it is fair and free from favoritism or victimization. The process of accountability should cover all types of financial wrong doings in the country. The process of accountability may be developed by removing the mistrust surrounding and bringing in the business ethics and moral conduct of all concerned. The businessmen extract heavy loans, from banks and do not return them. Many bungling acts are performed by account holders by means of hidden companies and the money is extracted from the banks.

10. Essence of Operational Code of Ethics in Banking Sector

In banking business, three kinds of standards are relevant to professional life:
  · Technical,
  · Economic and
  · Moral.
Should the code of ethics be restricted to moral norms of the business? The moral community is composed of all those beings towards which we have moral obligations. To make a code really effective, feasible and operational, one must get entire profession to agree on its foundation. Every genuine profession has a code of ethics along with the instruments for persuasion both by members of the profession and the public.

11. Why code of ethics should exist in banking sector?

Because of the following reasons:
  · Unethical economic practices,
  · External moral and political control over the members,
  · Regulating the business practices and
lobbying for privileges and rights for the profession,
· Adherence to professional ethics as contractual obligation.

12. What is Code of Ethics?

Code of ethics is a set of rules or precepts designed to induce concern that will maintain public confidence. The practicability of the rules of ethics in the banking sector is shown firstly by the manner in which the rules were developed. It should be a code of public relations document in banking sector. Relationship may shift very rapidly in the business world, therefore, alone the legal codes cannot fill the gap for which moral standards are needed. The moral standards are maintained by God fearing people. Therefore, spiritual values must also be inducted into the code of ethics. To maintain the dynamics of professional life and to institute reforms in institutional framework is to foster the observance of professional ethics. Codes of business ethics for banking professionals must be related to the following norms:
· charters,
· Contracts,
· covenants and
· consistent with other instruments and related ethical principles discussed in previous sections.

Now the question arises, how to improve performance through integrity, trust and commitment? Ethics of international banking business offers social contract between productive organizations and society. We are to see how business and ethics are to be connected and integrate the teaching and practice of management more closely with ethics and the humanities. A scholarly standard is to be set for banking business ethics. For this purpose, following points may be included in existing code of ethics:
(a) Wise executives worry more about invisible mistakes.
(b) Love the organization that does not love you back.
(c) Be obedient to your commitment.
(d) Keep such management and operational style that doesn't spoil organizational culture.
(e) Do the job with total concentration. Focus yourself to peak performance empowering work force.
(f) Learn from others how to improve business
(g) Give peak importance to vision, values and belief.
(h) Proceed with honest and honorable intention to win everybody.
(i) Be practical as well as generous in your ideals.
(j) Keep your eyes on the stars and keep your feet on the ground.
(k) Remember that hard work, intelligent effort and self-mastery are essentials to success.
(l) Character in the long run is the decisive factor in the life of the individual.
(m) Develop your employees deeply committed with missionary spirit.
(n) Create an environment that stimulates innovation and professional creativity.
(o) Set priorities to focus business efforts on those resources that provide greatest potential return and service excellence to clients and customers.
(p) Adapt yourself to changing market place.
(q) Time is both a valuable resource and a fixed commodity.
(r) Speed up and attain competitive advantage.
(s) Evaluate the global banking business from moral perspective.
(t) Keep yourself updated by having necessary information and conducting inquiries about client's and customer's financial position.
(u) Safeguard against unintended overdrafts.
(v) Avoid frauds.
(w) Avoid negligence and remember that the banker may be deprived of the statutory protection provided to a Clearing banker.
(x) It is a banker's duty and moral obligation to maintain secrecy of the customer's account. This obligation shall continue after the event of closing the customer's account. The disclosure of secrecy may be under compulsion of law or public duty in the best interest of the bank.
(y) Never deviate from legal procedure.
(z) Quality work, internal communication and training must be integrated into everything you do.

13. Recommendations

1. Extensive programs may be designed and formulated in the field of business ethics, economics and morality for bankers during training at banking institutes. We must also build in-house ethics programs, workshops, seminars and short term training in ethical philosophy related to banking business and guides the employees.
2. All positive steps should be taken to organize the moral education. Try to update legal
and ethical codes by making modifications in the existing codes in view of moral values.

3. As the survival of the fittest is the spirit of banking business, therefore, professional tips, knowledge, skills and business expertise be transferred and the banking management kept fit and smart for modern banking competence using advanced computer software.

4. While dealing with employees, policy makers and customers are qualified, artful, trained and experienced.

5. The rules must to based on and derived from defensible moral philosophy keeping in view the dynamics of business.

6. People of good will and ordinary conscientiousness are to be employed so that they accept the codes and ideas with authenticity.

7. The public representatives must be able to avail the assistance of intelligentsia from outside the particular occupation.

8. If a person has wrongfully been allowed to enter as employee, management must have the right to fire the misfit, if he is not: contributing efficiently towards achievements of pre-settled goals of the organization.

9. The standards of employee's competence, conduct, the educational qualifications and experience should be preferred over political pressure for appointments in the banking sector, especially for technical staff.

10. Many organizations in the banking sector have policies which prohibits employees from accepting gifts; so that the clients are not put in awkward position by violating company policy. A client should use the services because of the value that is provided and nothing else.

11. Measures should be taken to restore traditional values to inject trust and integrity into banking business practices and relationships for growth of profitable relationships with employees, customers, clients, suppliers and alliance partners and to promote service excellence.

12. Measures should be taken to eradicate unethical norms and malpractices for bridge financing. It is a short term financial arrangement given to the industrialists for their projects and recoverable from the sales of products. For this purpose, political bribe, discretion and element of exemptions work. Discretions and illegal exemptions are killer of every system. The unlimited discretionary and exemptionary powers lead to unethical norms. Lacunas in the policies, which keep the policies-unimplemented and ultimately the circle of exemptions and discretion creates the vicious circle of corruption.

13. During the training courses and specially arranged seminars, employees may be instructed about vistas of job success so that they should be well dressed, be punctual, not take frequent leaves, improve ability, be good tempered person with a decent way of communication and expression, have leading, directing, motivating and graceful role in presentations, create self-confidence to be cooperative and with tactful manners without offending the boss.

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