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## PUBLIC TRUST – A BANK’S NON-FINANCIAL CAPITAL

### Abstract

*Objective:* The article is devoted to an important determinant of a bank’s success, which is public trust and the bank’s ethics in relation to employees and external stakeholders, especially customers. The aim of the article is to analyse the concept of the institution of public trust – with particular emphasis on business ethics and critical verification of the legitimacy of assigning this feature to banks – in the context of a diagnosis of the level of trust towards banks and the reasons for customer attachment in the banking sector.

*Research Design and Methods:* A review of the subject-literature and various reports is conducted in order to identify the dimensions of public trust as a factor which determines a bank’s activity. In order to examine opinions about the ethical behaviour of banks operating in Poland, the authors conducted a survey among students of the University of Economics in Katowice in May 2020. The survey was addressed to full-time and part-time masters degree students from all faculties.

*Findings:* The most important conclusion from the study is that the factors which have an impact on a bank’s ethical behaviour are diverse. The most important among them are connected with the new role of banks in the economy and legal regulations affecting their behaviour. Factors that foster unethical behaviour were also identified, with the pressure to create a sales plan playing the most prominent role.

*Implications/Recommendations:* Customer trust in conventional and remote forms of contact with banks has not been addressed, although it certainly has an impact on trust

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in banks and on the durability of the customers' relationships with banks. This opens up the possibility for broader research in the future.

*Contribution:* The article gives a specific perspective on the issue of trust in banks. It looks at the issue from a perspective of students, who are generally seen as economically aware and who have a high level of knowledge about the behaviour of banks.

**Keywords:** institution of public trust, banks' social corporate responsibility, bank ethics, banking sector.

**JEL Classification:** G21, G28, G29.

## 1. Introduction

Each bank has two types of capital that allow it to continue operating on the financial market. One of them is financial capital (own and foreign), and the other, which is much more important as it allows competitive advantage to be gained, is knowledge-based non-financial capital, also called intellectual capital. In measurable terms, intellectual capital is the difference between the bank's market value and its book value (Perechuda & Chomiak-Orsa 2013, p. 307). It consists of human, relational and structural (organisational) capital (Kaczmarek 2005, p. 320). As we know, a bank is made up of people: the owners, the supervisory board, the management and employees. Therefore, their attitude, decisions and actions have the greatest impact on the level of public trust placed in the bank by customers (or more broadly by external stakeholders) as well as on the quality of the bank-customer relationship. Edvinson (1997), on the other hand, defines intellectual capital as intangible assets that are not explicitly included in a bank's balance sheet, but have a positive impact on its financial results. Nowadays, a source of economic value and wealth is not only the products offered by the bank, but also its intangible assets, including intellectual capital (Ozkan *et al.* 2017, p. 191).

The aim of the article is to analyse the concept of the institution of public trust – with particular emphasis on business ethics and critical verification of the legitimacy of assigning this feature to banks – in the context of a diagnosis of the level of trust in banks and the reasons for customer attachment to the banking sector.

## 2. The Bank as an Institution of Public Trust

A bank is by definition considered to be an institution of public trust. This means that a bank which enjoys public trust will not deceive its customers and the information it provides will always be true. Furthermore,

the bank's skills and knowledge will be properly used in the interest of both the bank and its stakeholders (Radziszewski 2013, p. 10; Gradoń 2014, p. 62). Looking at the example of Poland, it should be noted that the term "institution of public trust" does not derive from the Constitution, which refers only professions (exercised by individuals) "in which the public repose confidence". It is likewise not a statutory concept, hence it has been shaped by case-law and is applicable in the doctrine. At the same time, the activities of institutions of public trust are subject to legal regulations. There are a number of restrictions on their activities, and protective mechanisms are in place (Pitera 2007, pp. 145–7, 7, 150). Therefore, there are guarantees which strengthen public confidence – legal guarantees (e.g. arising from the provisions of the Banking Act regarding, for instance, the establishment of banks and banking secrecy) and institutional guarantees (e.g. the activities of institutions such as the Financial Supervision Authority (KNF), the Bank Guarantee Fund (BFG) and the central bank), which often function in parallel, financial supervision being one example (Radziszewski 2013, pp. 13–7, 29).

In the case of banks, the characteristics of institutions of public trust include:

- the specifics of the business and its economic, financial and social importance, primarily from the point of view of maintaining the stability of the financial system, which is considered a public good,
- being subject to legal regulations (e.g. limiting access to market operations, including a formalised method of licensing banks) and prudential restrictions,
- striving to maintain operational security (optimisation, not maximisation, of profit generated at an acceptable level of banking risk),
- reliable management of entrusted goods (the savings of a very large group of customers),
- deposit and credit brokerage in order to put business growth on a healthy footing,
- professionalism, diligence, a business-like approach, transparency and predictability of actions,
- development based on the best knowledge,
- compliance with banking secrecy, personal data protection,
- authority (e.g. anti-money laundering),
- the institution of the bank agreement and banks' liability for damages,
- accepting arbitration clauses (arbitration),
- financial supervision over banks,

- guaranteeing the deposits of customers, primarily non-professional customers, which should ensure protection of the public interest,
- social responsibility (Dąbrowski 2017, pp. 137–8; Półtorak 2011, Pitera 2007, pp. 145–62).

The social responsibility of the banking industry, although last in the above list, is a very important feature of institutions of public trust. It allows a bank to build relational capital, understood as its internal relational resources and its relations with stakeholders (Perechuda & Chomiak-Orsa 2013, p. 307).

This is because commercial banks as well as the central bank exert a tremendous influence over customers and other citizens, so their actions must not conflict with important social values. Corporate social responsibility (CSR) is understood as the expectations (economic, legal, philanthropic, etc.) of a society, at a given time, in relation to business entities and therefore also banks (Nowacka 2016, p. 61). According to the European Commission, CSR is the voluntary consideration by economic entities of the social aspects of their business as part of relations with stakeholders (Nowacka 2016, p. 61). There are more definitions of CSR, which means that there is no single, universally applicable approach to this problem, but the existing definitions have many common features. Commercial banks combine commercial and social goals, which include fair advertising, selling services, undertaking initiatives for the local community and building good relations with employees. The Polish central bank sees social responsibility as part of its mission, as defined in the Constitution, the Act on the National Bank Poland (NBP) and the Banking Act. It implements social responsibility by ensuring the stability of money and low inflation, issuing money, conducting analytical and research work, facilitating access to financial services, carrying out public information and educational campaigns, financing postgraduate studies, organising competitions, mitigating risks, and even cooperating with Teatr 21, famous for the fact that the actors are people with Down syndrome, etc. Regional branches of the NBP support local initiatives, cooperate with schools and youth organisations, champion environmental protection and pursue many other valuable local social initiatives (*Dbamy o wartość...* 2016, pp. 7, 16, 50, 71, 72).

Yeung (2011) defines the key elements of CSR in the banking sector, which include: the need to understand the complexity of financial services, risk management, strengthening ethics in the banking sector, implementing strategies in the event of a financial crisis and broadly understood customer protection (Belas 2012).

What undermines the notion of an “institution of public trust”? There are many factors, the most important being: moral hazard, populism, “hurray-optimism”, intentional information asymmetry, abusive clauses in bank agreements, participation in banking scandals or money laundering, financing of terrorism, dishonesty and unreliability (Półtorak 2011). One can add to this list such factors as discrimination and mobbing of employees. Unfortunately, these features are not alien to some modern banks and their clients (but also bank employees), yet banks still remain the most important financial institutions on the global financial market. Why is this happening? The answer is simple: most customers perceive banks as institutions of public trust for the lack of a better alternative. By depositing and investing financial surpluses, customers do not favour profit and do not prefer it to the safety of money and the predictability and reputation of a financial institution (Radziszewski 2013, p. 11). Ennew and Sekhon (2007) identify 5 factors which determine the level of trust in financial institutions: customer orientation, honesty, competence, compliance with universal values and transparency. Practice shows, however, that many banks (in the past and nowadays) do not deserve such trust, and obviously it is not possible to treat all banks and banking sectors in individual countries equally, automatically subjecting them to not always justified criticism, which will be discussed more broadly later in this article.

The dominance of banks (bank assets) can be seen by analysing the structure of the financial sector (in the countries selected for analysis), but above all by observing the ratio of bank assets to GDP, as presented in Figures 1 and 2. Obtaining such a competitive advantage would obviously not be possible if banks were not accepted as institutions of public trust by many of their customers (which is not to say that customers are oblivious to the unethical behaviour of banks, but most likely they do not consider it a threat to their savings deposits).

As at the end of 2018, the assets of monetary financial institutions had the highest share in the assets of the financial system in other European countries too: Germany, Spain, the Netherlands, Belgium, Austria and Finland (*Rozwój systemu finansowego...* 2019, p. 12). Therefore, the assets of investment, pension and insurance funds had a significantly smaller share in the assets of the financial system.

As can be seen in Figure 2, the banking sectors of the EU-15 and euro area are much more developed compared to those that have joined the EU since 2004. The dilemma of developed banking sectors, however, is that they are difficult to manage. It is difficult to save the banking sector, which is

stronger than the economy (as demonstrated by the financial crisis of the 21<sup>st</sup> century). This can reduce confidence in banks in the eyes of those customers who are aware that the phrase “too big to fail” does not correspond to reality. In addition, the balance sheet structure of the banks of the new EU countries is more traditional, generating lower risk due to the dominance of loans (assets) and deposits (liabilities) in the balance sheets, which builds customer confidence in the sector.

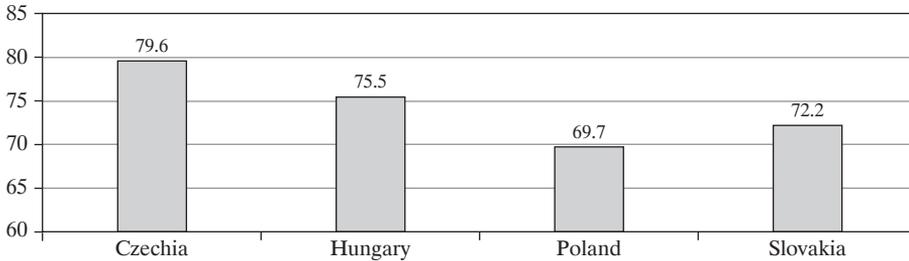
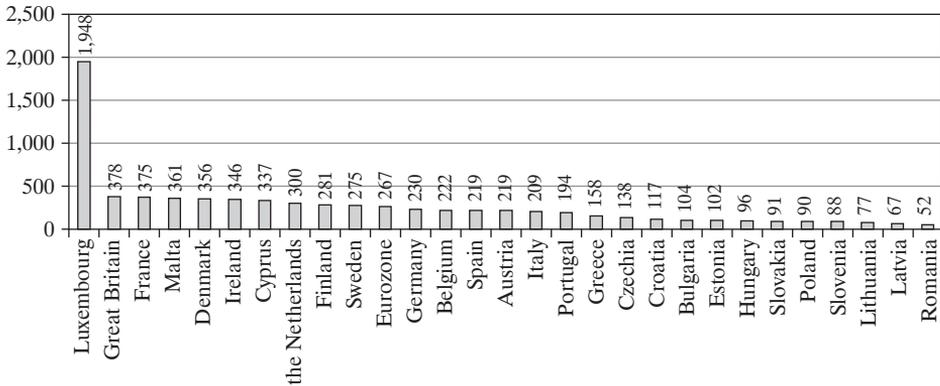


Fig. 1. The Share of Assets of Credit Institutions in the Total Assets of the Financial Systems of Selected Countries at the End of 2018 (in %)

Source: *Rozwój systemu finansowego...* (2019, p. 15).



The data for Luxembourg and Finland are from 2017.

Fig. 2. The Ratio of Bank Assets to GDP of EU Countries and the Euro Area at the End of 2018 (in %)

Source: *Raport o sytuacji ekonomicznej...* (2019, p. 116).

Every year, the Association of Polish Banks (ZBP) analyses the public's trust in banks operating in Poland. The survey carried out in 2019 shows that 72% of respondents declared confidence in the sector (9 percentage points

more than in 2018). Similar results were obtained by the CBOS survey – 74% of respondents trust Polish banks (*Wzrasta zaufanie Polaków...* 2019). These indicators mean that one cannot speak of a crisis of confidence in banks in Poland. In addition, the trust index for banks compares well with public trust in other selected institutions (Figure 3).

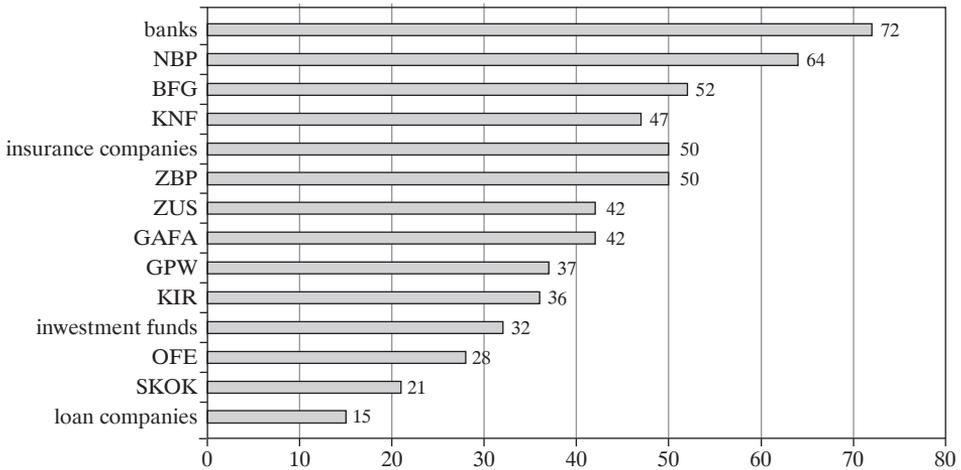


Fig. 3. The Trust Index for Selected Polish Institutions in 2019 (in %)

Source: *Wzrasta zaufanie Polaków...* (2019).

Clearly, there remains the question of whether trust in banks strictly depends on the banks themselves, their activities and their relationships with customers, or whether this favourable result is mainly due to systemic solutions that bank customers consciously or subconsciously identify with the banking system, its security and stability, and as a result place high confidence in the banks. One should mention at this point the role of legal regulations in strengthening the banks' image, including regulations on client protection in the financial services market and prudential regulations limiting banking risk, as well as the existence of institutions which strengthen the credibility of banks in the eyes of clients, principally the Bank Guarantee Fund, which guarantees deposits of up to 100,000 EUR in the event of bank going bankrupt, but also other institutions that oversee the security and stability of the Polish banking sector (NBP, KNF and ZBP). Another issue is customer awareness of the actual utility of certain solutions. Deposit guarantee systems are a good example here too, as they are able to perform the guarantee function assigned to them in a stable

banking sector, where from time to time problems of individual, often not very large, banks arise. In the event of a collapse of the financial market and a large number of bank failures, no deposit guarantee system can meet such challenges without public assistance<sup>1</sup>. Whom depositors trust – whether the banks, the BFG, or (perhaps rightly) the State – is a topic for a separate article.

### **3. Ethics – an Essential Feature of Banks as Institutions of Public Trust**

To the long list of positive features of banks as institutions of public trust, one should definitely add one more important feature, which was intentionally not included in the previous section: ethical behaviour, without which a bank's activities will ultimately not be successful and without which there is no institution of public trust. It is argued that ethical behaviour can be seen as a competitive advantage helpful to expanding a bank's business and its customer base (Fetiniuc & Luchian 2014, p. 93). Banking ethics are also closely related to social responsibility, and these jointly build a bank's relational capital. Therefore, ethical values are a necessary complement to market mechanisms and the features of institutions of public trust, together being desirable determinants of bank activities. Banks with a tarnished reputation have a better chance of rebuilding it through ethical behaviour, which applies to the bank as an institution, its partners, management and employees. Ethics can be defined as the set of judgements and moral norms adopted by a given community at a given time, the object of which, from a moral point of view closely related to work, is the theory of right and wrong (Drzeżdżon 2013, pp. 22–3). It can also be defined as trustworthy rules of conduct (Zaleska 2013). Therefore, business ethics builds a system of norms and standards of conduct that refer to the desired values of business organisations acceptable to their stakeholders (Stachowicz-Stanusch 2016, p. 84). By adopting ethical codes, an ethical bank is guided in its activities by law, supervisory recommendations, the resolutions of institutions representing the banking industry, and good business practices. Thanks to socially responsible activities, innovation and social education, and observing the legitimate interests of stakeholders, a bank contributes to the development of the country, the wealth of its clients and the wealth of other citizens (*Kodeks etyki bankowej...* 2013, p. 3). A bank employee's professional ethics, in turn, are expressed through standards of conduct, which include:

| <sup>1</sup> For more on the public confidence paradigm, see Zieliński (2013, pp. 673–83).

specific ethical requirements (recognised by a given professional group), a hierarchy of values, and a recognised method for resolving ethical conflicts (Drzeżdżon 2013, pp. 25–6). However, it should be remembered that employees' ethics are affected (improved, but also distorted) by the business environment (Milic-Czerniak 2012, p. 45).

The behaviour of banks and bankers is regulated by ethical codes, which, as already mentioned, are one of the most important written bases upon which banks operate. A code of ethics is a strategic document containing the principles, assumptions, rules of behaviour and conduct of, for example, banks towards internal and external stakeholders. In other words, it is a set of operating standards required of the management and employees of a given financial institution or enterprise, helping them to behave ethically (Polok 2005, pp. 131–2). The codes of ethics applicable to the Eurosystem, the ECB, and employees and high-level bodies of the ECB are summarised in Table 1. Importantly, members of the key bodies of the ECB, i.e. members of the bank's management board, the governing council and the supervisory board, are now subject to the same uniform rules for practicing the profession and are obliged to strictly comply with them. These principles were developed by the bank's Ethics Committee, which published them in a 2019 document entitled "The Code of Conduct for high-level European Central Bank Officials". Table 1 also lists the codes of ethics applicable to employees of the central bank, commercial banks and banking supervision authorities in Poland.

In Poland, the body which assesses the observance of banking ethics by banks, their partners and their employees in relations with other banks (in terms of compliance with the principles of fair competition) and with customers is the Banking Ethics Committee, which has 20–45 members appointed by the General Meeting of the Polish Bank Association from among persons proposed by the banks. The Committee also prepares reports, one of which is "Report on relations between banks and their stakeholders" (Uchwała nr 9/2019 XXXII Walnego Zgromadzenia... 2019). The equivalent of the Polish Committee is the Ethics Committee established by the ECB.

The most important dilemmas of banking ethics, usually included in the codes, are presented in Table 2. The codes refer primarily to the rules of conduct of bank employees and the attitudes of banks towards their stakeholders, both internal and external.

Table 1. Ethical Regulations in the Activities of the ECB and the Eurosystem as Well as Codes of Ethics Applicable to Banks and the Supervisory Authority in Poland

Specification	Legal Acts Introducing Ethical Standards in the Activities of the ECB
ECB	<ul style="list-style-type: none"> <li>– Code of Conduct of the European Central Bank (2001/C 76)</li> <li>– The ethics framework of the ECB (2015/C 204/04)</li> <li>– Decision (EU) 2015/433 of the European Central Bank of 17 December 2014 concerning the establishment of an Ethics Committee and its Rules of Procedure (ECB/2014/59)</li> <li>– Guideline (EU) 2015/855 of the European Central Bank of 12 March 2015 laying down the principles of a Eurosystem Ethics Framework and repealing Guideline ECB/2002/6 on minimum standards for the European Central Bank and national central banks when conducting monetary policy operations, foreign exchange operations with the ECB’s foreign reserves and managing the ECB’s foreign reserve assets (ECB/2015/11)</li> <li>– Code of Conduct for high-level European Central Bank Officials (2019/C 89/03)</li> </ul>
ZBP (Poland)	<ul style="list-style-type: none"> <li>– Code of Banking Ethics (Principles of Good Banking Practice)</li> <li>– Resolution No 9/2019 of the XXXII General Meeting of the Polish Bank Association regarding the adoption of the Regulations of the Banking Ethics Committee</li> <li>– Recommendation of the Banking Ethics Committee at the Polish Bank Association on shaping ethical culture in banks (2019)</li> </ul>
KNF (Poland)	<ul style="list-style-type: none"> <li>– Principles of Corporate Governance for Supervised Institutions</li> <li>– Code of Ethics for Employees of the Polish Financial Supervision Authority</li> <li>– Canon of Good Financial Market Practices</li> </ul>
NBP (Poland)	<ul style="list-style-type: none"> <li>– Rules of Ethics of Employees of the National Bank of Poland (effective from January 2015)</li> </ul>

Source: authors’ own work.

A large number of banks also publish their own declarations of ethical attitudes, which, in principle, are of course identical to the Code of Banking Ethics developed by the Polish Bank Association. For example:

- PKO Bank Polski developed the “Code of Bank Ethics”,
- Santander Bank Polska applies the “General Code of Conduct” developed for the entire Santander group,
- ING’s principles of professional ethics are based on ING’s Values and Behaviours,
- The BNP Paribas Group has a “Code of Conduct for the BNP Paribas Group”,
- the Bank Millennium Group operates on the basis of its own code of ethics.

Table 2. Ethical Dilemmas – Key Areas

Dilemmas of Banking Ethics	Analysis
Employee rules of conduct	Confidentiality of information, honesty, high quality and work culture, diligence, raising professional competences, non-discrimination of clients, compliance with the law and ethical principles
Bank relations/attitude towards employees, management staff and external stakeholders (clients, other banks) – so-called responsibility towards stakeholders	Honesty, responsibility, professionalism, innovativeness, loyalty, the proper handling of complaints, respect, non-discrimination of employees, staff training, attractive promotion paths, motivation, corporate culture, absence of mobbing, mutual trust, fair competition, confidentiality of information, respect for intellectual property rights, social responsibility, rule of law

Source: Czechowska & Zatoń (2016, pp. 113–31).

Some banks do not create their own rules but simply comply with the Polish Bank Association's Code of Banking Ethics.

If banking ethics are examined in terms of written policies, it can be said with absolute certainty that the banks conduct their business ethically. But are ethical precepts always faithfully reflected in banking practice and always applied – the answer is: unfortunately not, which will be argued in the next section.

#### **4. Banking Ethics – Are They Always in Line with Written Standards?**

Nowadays, the first and probably best-known argument that the activity of banks is not always ethical was provided by the financial crisis. Banks were not its only culprit, but they cannot deny that they provided uncontrolled mortgage loans for profit, knowing as professionals that borrowers without assets, work and income would not be able to service those loans, and that the houses they bought for a price resulting from a speculative bubble created on the real estate market did not provide genuine collateral for the repayment of the debt. The sale of credit receivables, together with the mortgages securing them, is of course allowed, but it is difficult to consider as ethical the sale of non-recoverable receivables in the full knowledge that they would be used to issue asset-backed securities, the value of which depended on the quality of the previously granted mortgages. Without

a word of protest, the banks looked at the AAA ratings given to asset-backed securities by rating agencies, knowing about the quality of loans, the quality of mortgage collateral established on revalued real estate, and issue insurance.

The question also arises as to whether, as a consequence of the crisis, it was ethical to bail out the banks, rather than their customers, using public money. The answer to this question is unclear. However, one can agree with M. Zaleska, who argues that governments, in line with taxpayers' expectations regarding, for instance, social protection, did not increase fiscalism. They financed budget deficits by issuing treasury bonds, which were in large part purchased by banks. Therefore, one may conclude that the earlier laziness of governments and taxpayers resulted in the later necessity to save the banks, precisely at the expense of taxpayers harmed by the crisis, who were at the same time the clients of banks, pension and investors (*Bankowe błędy...* 2018).

One of the most important examples of unethical behaviour was the coordination of activities and exchange of information by dealers working for several of the largest banks aimed at manipulating the LIBOR and EURIBOR interest rates. For this collusion, which is contrary to EU law, a fine of 1.7 billion EUR was imposed on the following American and European banks: Citigroup, Deutsche Bank, Royal Bank of Scotland (RBS), JP Morgan, Barclays and Societe Generale. In a similar case, the European Commission accused eight banks of coordinating investment strategies on the European sovereign bond market in 2007–2012 (*Kolejna bankowa afera...* 2019, *Afera LIBOR...* 2013).

Certainly, money laundering, which is familiar to some global banks, is not ethical. Nordea Bank, ING Group, Credit Agricole, Raiffeisen Bank and Deutsche Bank were all accused of legalising dirty money. Without going into detail, French and German banks received fines of several billion dollars in the US for violating anti-corruption law or bypassing international sanctions against dictatorships (Cheda 2019). Banks are also forbidden from providing financial services to organisations considered terrorist, and unfortunately such charges have been levelled against certain banks.

As for banks in Poland, many borrowers who took out mortgages denominated in Swiss francs accuse the banks of not informing them properly about the likelihood of exchange rate increases and their effects, and also about the problem of spreads (*7 grzechów banków...* 2016).

There are many more examples of unethical behaviour, for instance by employees who increase a bank's operational risk and damage its image

in the eyes of customers. Misunderstandings (e.g. regarding risk) have taken place in discussions with customers aimed at convincing them to take up a bank's offer. Also dubious is the practice of making changes to fees after a contract has been signed. Bank employees have themselves also expressed dissatisfaction with their employer's behaviour. In Poland, in August 2019, the Independent Trade Union of Banking and Services Employees ("Dialog 2005") submitted a letter to the Chief Labour Inspector on behalf of employees of certain banks, setting out demands in relation to wage inequality (bonuses), overtime pay, gender pay discrimination, group layoffs and unrealistic sales plans (*Potrzebna inspekcja pracy...* 2020).

## **5. Banking Ethics in the Opinion of Students – Survey Results**

In order to examine opinions about the ethical behaviour of banks operating in Poland, the authors conducted a survey among students of the University of Economics in Katowice in May 2020. The survey was addressed to full-time and part-time masters degree students from all faculties. A total of 222 people took part in the survey, of whom 98.6% are bank customers and only 1.4% do not use banking services. The purpose of the survey was to show how an economically aware bank customer perceives the compliance of the bank or banks' ethical standards with the services they actively use.

The first question was to find out the opinions of respondents in the area of general issues related to the problem of trust in the banking sector and banking ethics. The respondents most fully agreed with the proposition that banking should be based on trust, transparency and confidentiality (89.5%). For most respondents, regulation of the issue of ethics in banks and the granting of competences in this area to such institutions as the National Bank of Poland and the Polish Financial Supervision Authority are also significant. The issue of statutory regulation of ethics in the banking sector also remains important. For most respondents, the lack of professional training for bank employees and lack of reliable control of ethical behaviour have a major impact on the higher incidence of fraud. It is also significant that nearly half of the respondents (43.6%) completely agreed with the statement that in recent years banks have raised their ethical standards (Figure 4).

The respondents mentioned new expectations regarding the role banks should play in the economy (60.7% of respondents) and changes in banks' corporate policy among the factors with a high or very high impact on

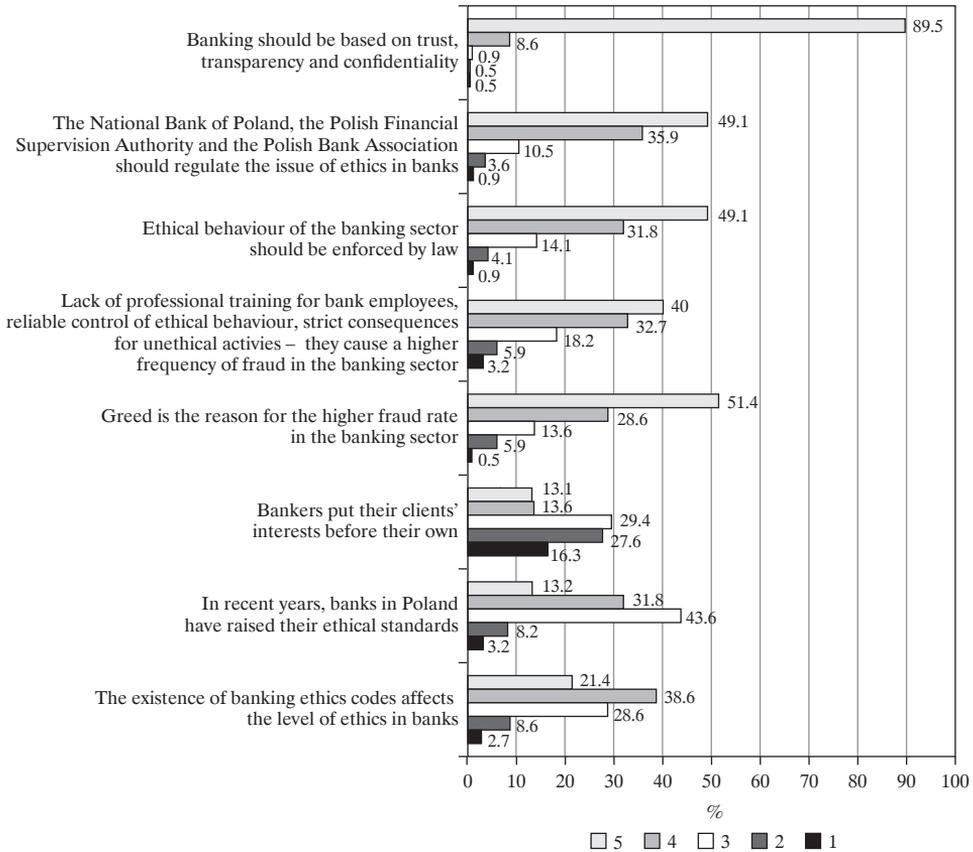


Fig. 4. Please Indicate to What Extent You Agree with the Following Statements (1 – Completely Disagree, 5 – Completely Agree) (% of Respondents' Answers)

Source: authors' own work.

the ethical behaviour of banks. Other very important elements include the issue of legal regulations (86.8% of respondents) and increased interest in the problem of ethics among bank customers (63.3% of respondents) (Figure 5).

The respondents also indicated factors which in their opinion play an important role in fostering unethical behaviour in banks. According to them, factors resulting from the need to increase sales of banking products and from the implementation of sales plans have the greatest impact on unethical behaviour on the part of bank employees (67% of respondents). Profit pressure (66.1% of respondents) came second, which naturally affects

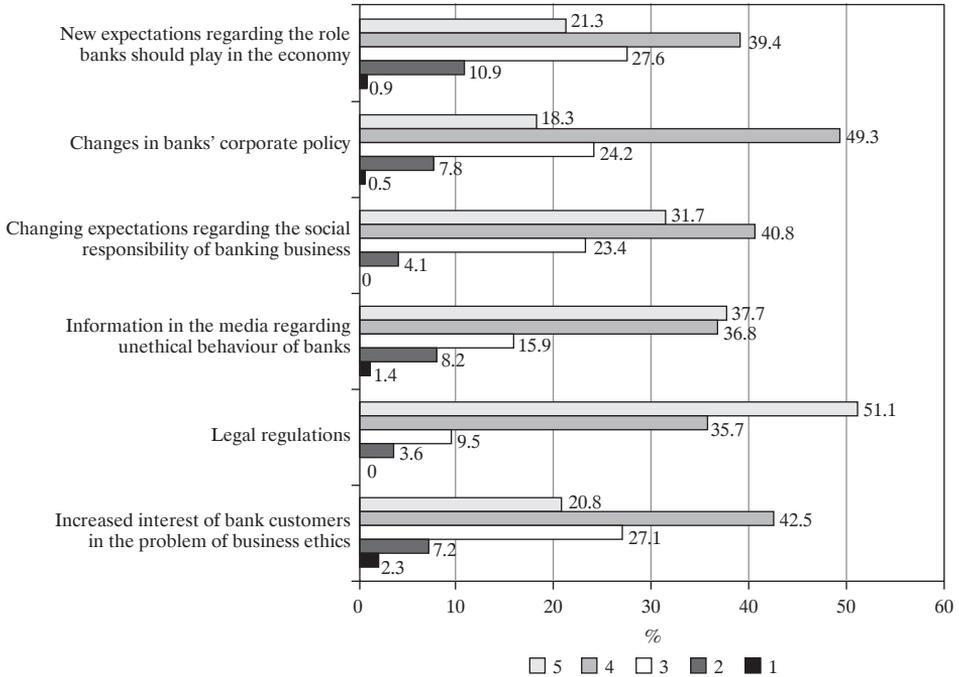


Fig. 5. Impact of Specific Factors on the High Ethical Standards of Banks (1 – Very Low Impact, 5 – Very High Impact) (% of Respondents' Answers)

Source: authors' own work.

employee behaviour and is associated with the need to focus on maximising sales. The current economic situation in the country has less impact on unethical behaviour (27.1% of respondents). Undoubtedly, however, the economic situation is a factor influencing the effects of banks' activities in various areas, including their revenues, due to the possibility of declining interest in banking products and deterioration in the quality of loan portfolios (Figure 6).

In the respondents' opinion, the factors that most affect the unethical behaviour of bank employees include the vision of financial gratification and pressure from the management board related to the need to increase sales revenues. The attitude of direct superiors is also important, which undoubtedly affects the attitudes of their subordinates to clients. On the other hand, the general perception of ethical issues in society is less important (Figure 7).

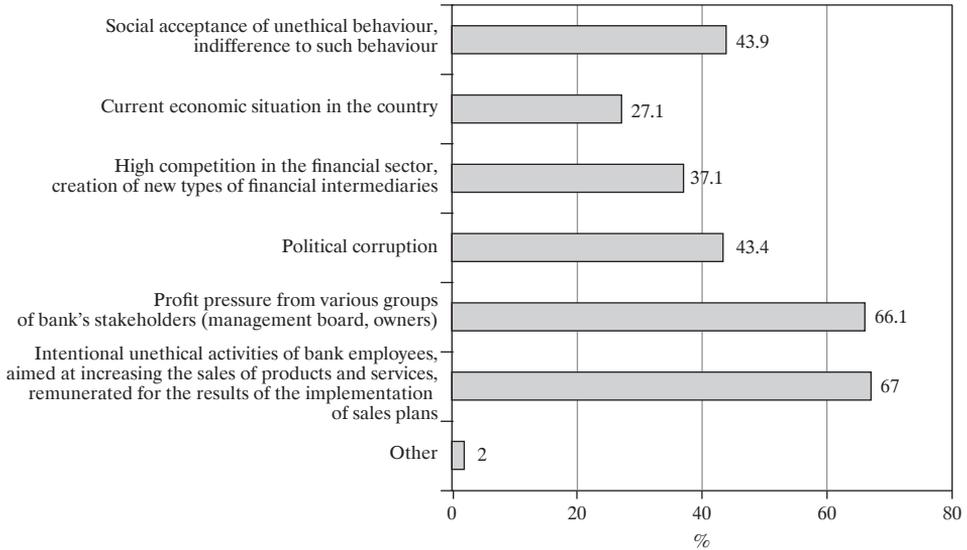


Fig. 6. Factors that Play an Important Role in Fostering Unethical Behaviour in Banks (% of Respondents' Answers)

Source: authors' own work.

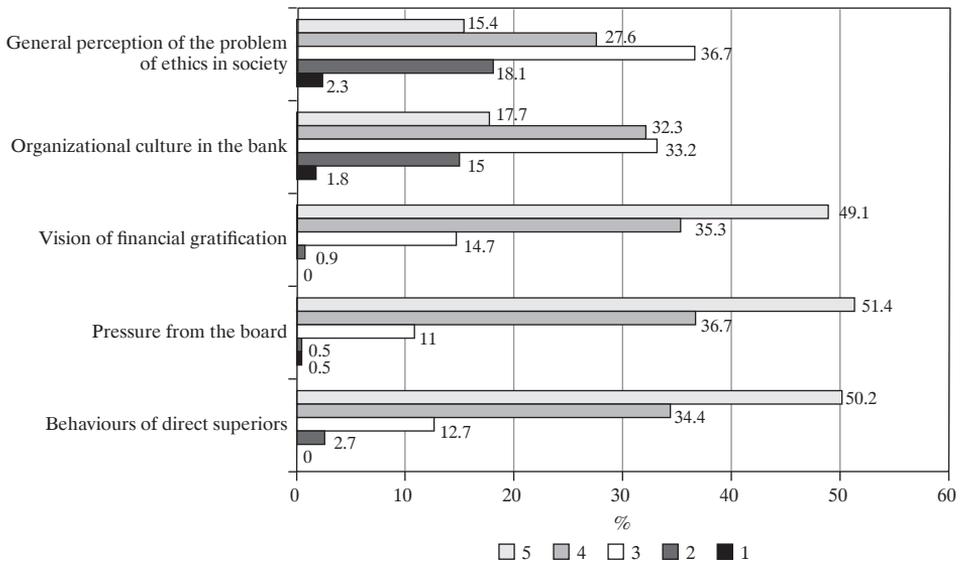


Fig. 7. Impact of Specific Factors on the Unethical Behaviour of Employees (1 – Low Impact, 5 –Very High Impact) (% of Respondents' Answers)

Source: authors' own work.

The respondents also indicated which unethical behaviours they had encountered in their dealings with banks. They most frequently mentioned over-selling (71.8%) and exaggerating the benefits a given banking product (73.1%). These factors are undoubtedly related to the pressure exerted on employees to increase the bank's sales and revenues. On the other hand, the refusal of bank employees to submit full product documentation to the customer is of little importance (Figure 8). Another issue, however, is the problem of understanding the provisions of contracts, which involves the need to have specific knowledge about a given financial product. It seems that, in this area, improving the general financial education of society is needed.

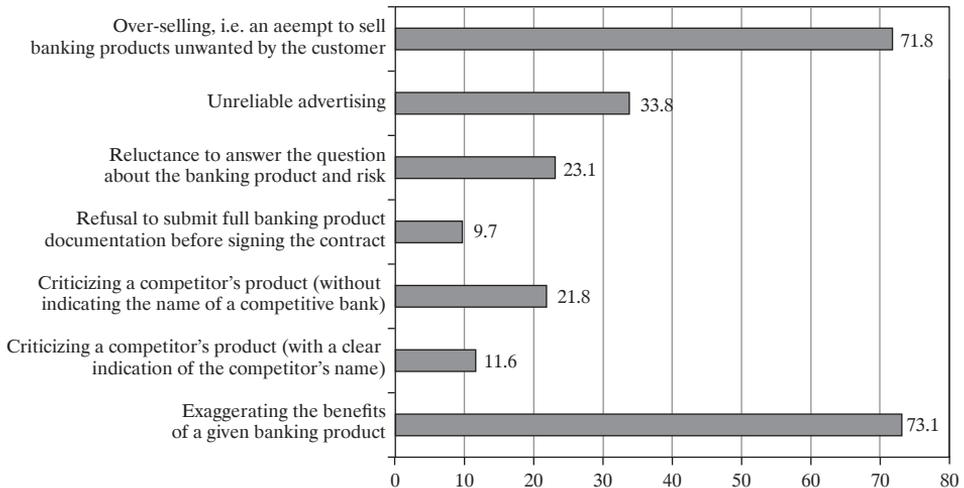


Fig. 8. Unethical Behaviour of Banks as Identified by Respondents (% of Respondents' Answers)

Source: authors' own work.

The unethical behaviour of banks gives rise to specific attitudes among their clients. The most frequent answer in this regard was a decrease in trust in the bank, but not resulting in cooperation being terminated (55.5% of respondents). This may be due to the fact that many customers are tied to a bank on account of having a certain financial product with them (usually a loan), which makes it more difficult to change the bank. Only 13.6% of respondents indicated that they did not judge a bank's behaviour in this regard and were indifferent to it, which may indicate that the issue of

banking ethics is important for the majority of customers and affects their behaviour and perception of a given bank (Figure 9).

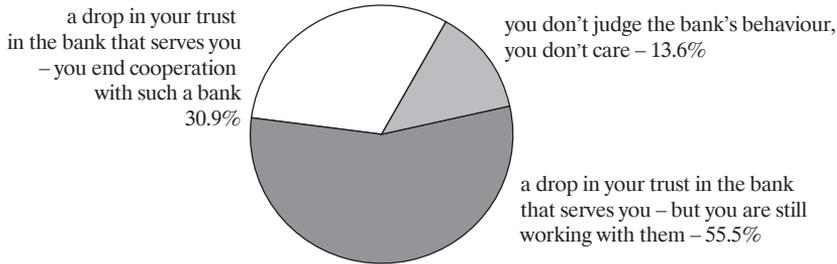


Fig. 9. Attitudes of Respondents towards the Unethical Behaviour of Banks (% of Respondents' Answers)

Source: authors' own work.

In addition, in the opinion of most respondents, banks should be treated as institutions of public trust, and thus it can be assumed that the issue of banking ethics should be of great importance (Figure 10). For most respondents, the issue of banking ethics is treated rather seriously, although 40% of respondents had a different opinion. It is significant that as many as 10% of respondents did not have an opinion on this issue, which suggests that evaluating this problem is not an easy task (Figure 11).

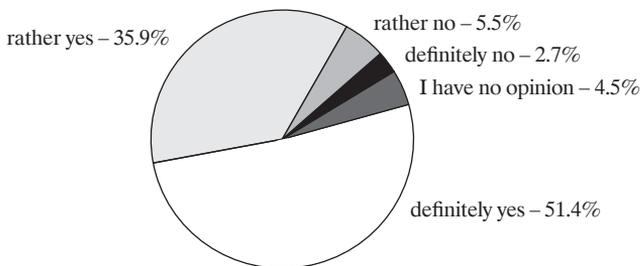


Fig. 10. The Need to See a Bank as an Institution of Public Trust (% of Respondents' Answers)

Source: authors' own work.

On the other hand, the majority of respondents indicated that the bank whose services they use definitely behaves, or rather behaves, in an ethical manner (85% of respondents). Therefore, they positively assesses their

bank's activities in this area, while 9.5% of respondents had no opinion on this issue (Figure 12).

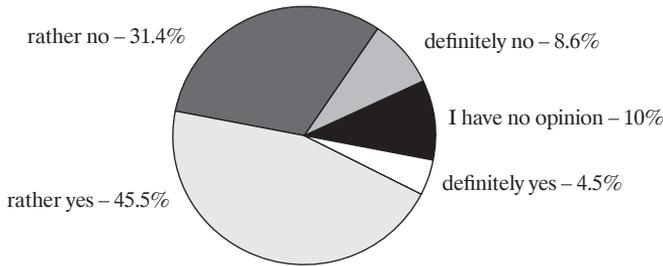


Fig. 11. In Your Opinion, Is the Issue of Ethics Treated with Due Seriousness in Banks in Poland? (% of Respondents' Answers)

Source: authors' own work.

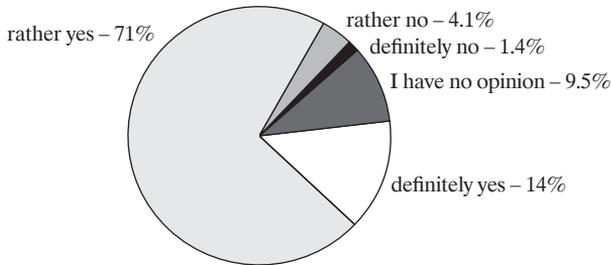


Fig. 12. In Your Opinion, Does the Bank Whose Services You Use Act in an Ethical Manner? (% of Respondents' Answers)

Source: authors' own work.

In the opinion of 76.9% of respondents, however, banks are more ethical compared to para-bank institutions (Figure 13). This may be due to the fact that the para-bank sector, in particular loan companies, is perceived as less honest and operating outside the control of supervisory institutions. Undoubtedly, the conditions attached to products offered by loan institutions, which are significantly less favourable than the conditions offered by banks, may also contribute to this assessment. The problem of security in the use of services offered by para-bank institutions is also very often raised in the media, which further affects the way this sector

is perceived by potential customers. The survey also showed that the vast majority of respondents definitely have, or rather have, confidence in the banking sector in Poland (76.5% of respondents), which is only slightly higher than the results already mentioned in the article published by ZBP and CBOS (Figure 14).

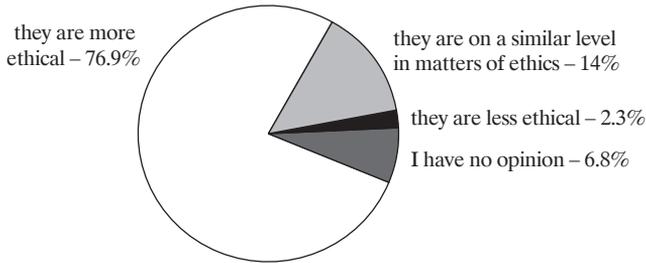


Fig. 13. Bank Ethics Compared to the Ethics of Para-bank Institutions (% of Respondents' Answers)

Source: authors' own work.

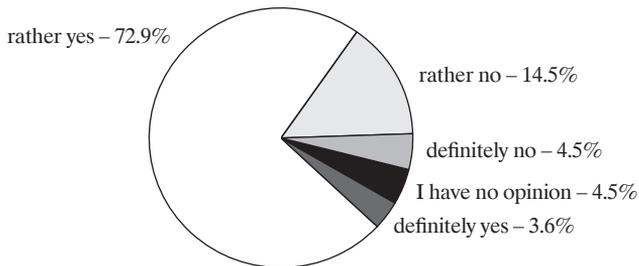


Fig. 14. Do You Have Confidence in the Polish Banking Sector? (% of Respondents' Answers)

Source: authors' own work.

Respondents also indicated the actions that should be taken by banks to make them more ethical. Most frequently mentioned was the need to:

- use simpler language in communication with customers,
- introduce more restrictive legal provisions regarding banks' information obligations towards customers,
- take broader actions in order to promote ethical behaviour,
- conduct training for employees in the field of ethics,

- use understandable terms in contracts,
- promote financial education in society,
- abandon sales plans or limit their significance,
- remunerate employees regardless of sales plans,
- reliably inform customers about the conditions under which banking products are offered,
- focus more on assessing a customer's creditworthiness rather than selling the product at all costs.

At the same time, respondents pointed out that it is impossible to completely avoid unethical behaviour in banks, and that the banks themselves are taking a range of actions aimed at building mechanisms that will allow unethical behaviour to be identified and eliminated.

## **6. Conclusions**

Public confidence in banks is difficult to build but easy to lose. One of the most important features of a bank as an institution of public trust must be compliance with the applicable principles of banking ethics, which has been shown to be the most important determinant of acquiring and retaining customers, but also qualified bank employees. The examples of unethical behaviour presented in the article show that there is still a lot to be done when it comes to compliance with ethical principles and that not all banks deserve the honourable title of institutions of public trust. On the other hand, the unethical and at times criminal behaviour of certain banks should not affect the assessment of domestic banking sectors taken as a whole. It is worth emphasising that in Poland the problems in this regard are not big, though this does not mean that the banking sector is functioning perfectly.

The survey also allowed key issues related to the problem of ethical behaviour in banks to be identified. The respondents indicated many important factors determining the ethical and unethical behaviour of banks. It seems that the significant value of the survey lies in the fact that respondents indicated a number of changes which, in their opinion, should be introduced by decision-makers with the purpose of exerting a positive impact on ethics in the banking sector. The authors are also aware that the survey was directed at a specific group of recipients. By design, students of economics faculties, mostly young people, have greater financial knowledge and awareness than other social groups. The authors therefore plan to continue research in this area.

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