PalArch's Journal of Archaeology of Egypt / Egyptology

ANTECEDENTS OF MIS-SELLING IN INDIAN RETAIL BANKING SERVICES

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Dr. Sanjay Sinha[1], Dr. Subhadeep Mukherjee[2] -- Antecedents of Mis-selling in Indian Retail Banking Services -- Palarch's Journal Of Archaeology Of Egypt/Egyptology 17(6), ISSN 1567-214x

Keywords: Mis-selling, Unethical sales, Banks, Financial Services, Misleading.

Abstract

Selling unethically to the customers for personal gain has become a common practice in today's business world. Existence of unethical sales practices though found to be available in almost every sector of business but it is more prevalent in financial sectors like banks or insurance. Financial regulatory bodies are facing significant challenges to deal with such problems as a substantial number of customers are becoming the victims of such practices and it has serious consequences on society. Thus it created a need to identify the root cause of such unethical behavior of the salespersons. Present study attempted to identify the determinants that influence a salesperson to involve in mis-selling activities. The study has been undertaken among the employees of leading private sector banks in the southern part of the Indian state of Assam using a self-administered questionnaire. Multiple regression model was used to investigate the effect of ten predictive variables measured on the continuous scales or categorical scales on mis-selling, a criterion variable that was measured on a continuous scale. All the predictive variables are found to have significant effects on the mis-selling except age. Study revealed the personal attributes of the salesperson such as Job insecurity, poor ethical values, self-interest, and Inadequate knowledge as well as organizational attributes such as sales pressure, incentive-based pay structure, competitive intensity, product complexity, and poor organizational culture influence a salesperson to behave unethically. This study would be helpful for the managers to perceive the actual causes of mis-selling and identification of preventive measures to prohibit such practices in banks.

U.K is one such example. In 2013, Lloyd's Banking Group launched an incentive plan for their employees 'sell or be demoted' and it resulted in the creation of mis-selling environment among the sales staff of Lloyds, Bank of Scotland, and Halifax. In the fear of demotion, employees started to sell the products by adopting any possible means for achieving sales targets[1].

Mis-selling

[1] Business ethics briefing, issue 39, march 2014

Mis-selling means the non-disclosure of the materials facts of the products or services to the customers for the intention of getting personal or organizational benefits (Mittal and Garg, 2019). Mis-selling is simply misleading the customers by suppressing the correct information or disclosing the wrong information. It is the fraudulent practices that lead to the severe losses incurred by the customers (Yan, and Wood, 2017). The loss incurred by the customers is not only financial but also the emotional loss that occurs because of the breach of trust by the seller (Tolba, *et al.*, 2015). Financial sectors like banks or insurance companies become a vulnerable target for such unethical sales practices due to the complicated nature of product features or lack

Introduction

Mis-selling also known as unethical selling has emerged as a global crisis for today's business world (Ehtesham and Kuchey, 2016). Existence of such unethical practices though apparent in almost every business sector but it is found to be more prevalent in financial sectors like banks or insurance (Franke, Mosk and Schnebel, 2016). It has become an epidemic in today's financial world. Customers around the world are becoming victims of unethical sales practices and thus it created an alarming situation for the business world. This has created a need to explore and understand the root cause of mis-selling. Thus it gained significant importance in research among the academicians as well as the industry expert for the last two decades. Haron & Hamzah (2011, p. 86) described unethical selling as, "(1) false or misleading representations of products or services, (2) failure to identify client's needs and recommend products and services that meet those needs, (3) lack of knowledge or skills, and (4) conflicts between opportunities for personal financial gain and proper performance of one's responsibility". Mis-selling refers to the adoption of unethical practices at the time of selling products by providing wrong information or suppressing the correct information which is the material facts of the products (Tosun, 2020). Fiduciary responsibility and Two-Way information are two distinctive features of financial services (Devi, 2011). Fiduciary responsibility refers to the trusting relationship between seller and buyer and two-way information refers to the disclosing of facts from both buyers and sellers. Decisively sharing the wrong information leads to the breach of trust and suppressing the essential information leads to the prevention of the flow of information. The occurrence of any such instances is against the basic principle of financial services and thus leads to financial mis-selling (Mittal and Garg, 2019). It resulted in the severe loss incurred by the customers as well as the company (Yan, and Wood, 2017). Losses can be both emotional as well as monetary for the customers and simultaneously long run losses for the company like negative brand image, loss of customers, etc. (Yan, and Wood, 2017; Tolba, *et al.*, 2015).

The Indian banking industry has witnessed numerous complaints about unethical sales practices in retail banks. The prevalence of such instances is mostly found in the selling of third-party products like insurance in the banks (Halan & Sane, 2016; Tosun, 2020). Banking ombudsman cell of Reserve Bank of India has received a significant number of complaints from the retail bank customers on mis-selling by the banks[2]. It has created a need to

[2] https://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=40853

understand the reasons behind such practices. Numerous studies have been done in the area of mis-selling practices (Halan & Sane2016; Tosun, 2020; Yan, and Wood, 2017; Ehtesham and Kuchey, 2016; Yi, Dubinsky and Lim, 2012, etc.) but few studies were available that identified the factors responsible for such unethical practices (Mittal and Garg, 2019; Haron, & Hamzah, 2011). Some factors seem to be significant but remained unidentified by the above studies. Hence it created a gap in the existing literature. The present study has been carried out to identify the determinants that have significant effects on mis-selling of financial services.

The study has been undertaken among the leading private banks in the southern part of the Indian state of Assam in the three administrative districts: Cachar district, Karimganj district, and Hailakandi district[3]. The reason behind the selection of this area because of its significant importance in banking due to its international border with neighboring country Bangladesh and it is the gateway of three other northeastern states (Manipur, Mizoram, and Tripura). Moreover, the pilot study also revealed many instances of mis-selling practices by private bank employees in the area. Hence this region gained significant importance in the present study.

The next part of the study is arranged in the following way: (1) Review of literature (ii) objectives of the study (iii) theoretical frameworks and hypothesis formulation (iv) methodology, identification and measurement of variables and analysis (v) result and discussion (vi) managerial implication and conclusion (vii) Limitation and future scope

Review of literature

Mis-selling is the adoption of wrong sales practices to deceive the customers (Tosun, 2020). The author has categorized mis-selling practices in financial sectors like banks under three categories: disrespect to the customers, deception of fees, and other deceptions. Hiding fees from the customers or selling a product that does not fit the need of the customers lead to mis-selling. Mis-selling is the situation when the customer is in the position of financial disadvantage due to the non-disclosure of essential information by the seller (Yan and Wood, 2017). Financial Services Authority (FSA) defined financial mis-selling as “a failure to deliver fair outcomes for consumers”, including providing customers with misleading information or recommending that they purchase unsuitable products[4]. Yan and Wood (2017) had designed a structural model using the Loss Distribution Approach (LDA) to estimate the losses due to mis-selling of products. The study revealed that the structural model can be used to provide a highly risk-sensitive approach to determine the loss incurred due to the mis-selling approach. Brannan (2016) investigated the mechanism of mis-selling practices in the financial service market. It has been revealed that mis-selling is not just an individual sales practices but it is the combined result of the complexity of the products or services, social relations, and the culture of the organizations that lead to mis-selling. Ehtesham and Kuchey, (2016) investigated the consequences of unethical sales on the organization’s

[3] http://hbvdassam.gov.in/

[4] Financial Services Authority, *Final guidance: Risks to customers from financial incentives*, January 2013.

credibility, stakeholders, brand image. It has been pointed out that due to unethical practices, customers lost trust in that particular organization and they preferred switched over to other brands or companies. Aziz, Ghani, and Shaari (2016) discussed the factors of the ethical behavior of Takaful agents in Malaysia. The perspective of sales, sales pressure, and competitive intensity are identified as factors that influence the ethical behavior of Takaful agents. Franke, Mosk, and Schnebel (2016) studied the fair retail banking practices and how to prevent mis-selling in banks. Authors proposed three-pillar approaches for the prevention of mis-selling in banks, rules for banks' interactions with the clients, fair treatment policy for customers and supervisory review process to examine the bank's interaction with customers. Halan and Sane (2016) made an in-depth audit study on financial misbehavior in retail banks. The author found that the more complex is the product features such as price, tenure of investment, etc. fewer chances are there to disclose to customers, even if customers insist on the disclosure, actual data is rarely disclosed and result in mis-selling. Halan, Sane, and Thomas (2013) aimed to estimate the loss incurred by the investors due to mis-selling of insurance products. Results showed that an estimated loss of about Rs.1.5 trillion, or $28 billion, to investors due to mis-selling between 2004-2005 to 2011-12 periods. Fullerton (2013) argued that the unethical behavior of financial advisors directly affects the levels of unethical selling. The author highlighted that commission-based remuneration and sales pressure on employees are found to be principal factors in the financial services industry that results in unethical selling. Zińczuk *et al.*, (2013) argued that unfair competition and rigid market situation, low-income level of the salespeople, the negative behavior of the supervisor are found to be the compelling factors that lead to mis-selling activities by the salespeople. Siham (2013) studied ethics in marketing practices and stated that many unethical marketing practices may occur due to unlawful pricing and unfair advertising practices. Manjunatha and Ahamed, (2013) stated that unethical affect the various components of the society such as customers, the general public, government, and environment. It not only affects the image of the company but in the long run, it will reduce the growth of the economy. Yi, Dubinsky, and Lim *(2012)* aimed to find out the important factors that may help to reduce unethical behavior of salespeople in the financial services industry. Results showed that ethical training and ethical climate in the organization have a positive influence on the salesperson's ethical attitude. Competitive intensity is not related to the mis-selling but it is positively related to the salesperson's ethical attitude. It has also been pointed out that product complexity and product variety has a positive relationship with the unethical practices by the salesman. Ferran, (2012) investigated the mis-selling of products in financial services sectors and how do financial service authorities attempt to control it. The study revealed that mis-selling is very prevalent in the financial service sector compare to other sectors. It has also found that financial service authority (FSA) has constructed stringent guidelines for the financial services organizations and there is continuous monitoring to check such unethical practices. FSA started imposing penalties on the seller if found guilty. Alrubaiee (2012) studied the role of ethical sales behavior on customer relationships and loyalty. The study revealed that ethical sales behavior does not directly increase the loyalty of customers but it has the mediating effect of customer trust and commitment due to ethical sales behavior. The author argued that in the absence of ethical behavior, there is a loss of customer trust and commitment and thus affect customer relationships and loyalty to the organization. Barathi, Meitei, and Balaji (2011) investigated mis-selling in the insurance industry and found that mis-selling is a prevalent practice in the insurance sector and it occurs due to the lack of adequate financial knowledge of the customers. Inderst and Ottaviani (2009) stated that mis-selling practices occurred due to the internal policy of the organizations such as the sales environment of the organization and the transparency of the incentive structure of the agents. It has also found that products having higher commission are mostly preferred by the agent to sell than the product having a lower commission hardly focusing on the need of the customers. Lee, Beatson, Garrett, Lings, and Zhang (2009) examined ethical issues concerning the Chinese sales force. The study found that age is an important factor that influences the ethical practices of salespeople. Young salespeople are more prone to unethical practices rather than old experienced salespeople. This is probably because of the lack of experience with the young sales force.

The objective of the study

Mis-selling has become a serious concern for today's business world and the financial sector has become the vulnerable target for such unethical practices. The primary objective behind the present study is to identify the determinants that cause the mis-selling of financial services.

Theoretical frameworks and hypotheses formulated

Today's financial service sectors like banks have been transformed into a sales organization where bankers become the salesman and they aggressively focused on sales (Kosim et al., 2016). In this competitive sales environment, some bank employees adopted unethical sales practices to achieve their monthly sales targets (Tolba, et al., 2015). It has also been found that there are some instances where an organization creates such an adverse environment for the employees where employees compel to mis-sell the products. Lloyd's Banking Group of the of adequate financial knowledge among the people (Tosun, 2020). The north-eastern part of India had witnessed many financial scams like Saradha Group financial scandals[5], Rose Valley scams[6] , and many more due to mis-selling of financial services.

The present study has taken a collaborative approach to identify the possible variables that cause mis-selling in selling financial services with special reference to banks. The following factors have been identified by reviewing the existing literature that influences unethical sales practices in the organization.

Age: Studies have identified that age is one of the personal factors that might influence the unethical behavior of salespeople. Hazrati et al., (2012) stated that the age of the salespersons though not high but has a mild impact on their

[5] https://www.business-standard.com/about/what-is-saradha-scam

[6] https://www.businesstoday.in/current/economy-politics/rose-valley-scam-all-you-need-to-know-about-the-chit-fund-case/story/316895.html

unethical behavior. Cowart and Darke, (2014) in his study pointed out that younger salespeople are more inclined towards unethical behavior than older people. This could be because of a lack of experience. Hence age has been considered as one of the variables for the present study.

$H_0$1: Age of the salesperson has a significant effect on mis-selling practices.

***Job insecurity*:** Job insecurity is the employees feeling about the chances of losing the job (Elst *et al*., 2014). It is the perception of the employees towards the job due to the unfavorable situation in the organization or the market. It has been revealed that employees' expectations of job insecurity can enhance employees' dissatisfaction and reduced performance (Devi and Nagini, 2014). If salespeople feel insecure about their jobs, they are less likely to have high ethical standards and they might involve in unethical practices (Talwar, and Ali, 2017). Job insecurity is found to be positively related to unethical behavior (Halan and Sane 2016). Hence it is considered in present study.

$H_0$2: Job insecurity of the salesperson has a significant effect on mis-selling practices.

***Self Interest*:** Selling a product to the customers not by considering customers' interest but for having a personal interest lead to mis-selling (Tosun, 2020). Studies revealed that there are many instances where salespersons sell only those products to the customer where he can earn a higher commission rather than identifying customer needs (Mittal and Garg, 2019). Hence it is included in this study.

$H_0$3: Self-interest of the salesperson has a significant effect on mis-selling practices.

***Poor ethical value of salesperson*:** Ethics is the set of moral values that guides one's behavior and reflect on their performance (SunJung et al. 2010). Determinants like honesty, Reliability, Self-discipline affects the ethical values of the employees. (Tolba, *et al*.,2015). It has been argued that the ethical values of the employees affect their ethical conduct. Salespeople having low ethical values are likely to be involved in unethical practices (Alrubaiee, 2012). Following hypothesis framed by using poor ethical values of the salesperson.

$H_0$4: Poor ethical Value of the salesperson has a significant effect on mis-selling practices.

***Inadequate Knowledge*:** Knowledge of the salesperson about product, company's policy, and customer need is very important. Lack of this may lead to unethical selling. Haron & Hamzah (2011) emphasized on the fact that the lack of knowledge or skills of the salesperson is the reason for mis-selling. Lack of understanding about the products affects the performance of the salespersons (Sangtani and Murshed, 2017). Following hypothesis framed by using inadequate knowledge of the salesperson.

$H_0$5: Inadequate Knowledge of the salesperson has a significant effect on mis-selling practices.

Sales Pressure**:** Researches have revealed that the ethical issues in sales are increased because of high sales performance pressure on the sales force (Halan and Sane 2016). The pressures placed on financial advisors harm their ethical behavior (Cowart and Darke, 2014). Sales managers sometimes encourage salespeople to engage in unethical selling practices, perhaps by applying pressure on salespeople to cut corners (Ehtesham, and Kuchey, 2016). Hence salespressure is another important variable for the study.

$H_0$6: Sales pressure of the organization has a significant effect on mis-selling practices.

Competitive Intensity**:** It may be perceived that greater competitive intensity may lead to diminished ethical behavior (YangChen *et al.* 2015). When there is high competition in the market, unethical practices are likely to happen (Tuan, 2015). Increased competition in the sales environment of the organization led to unethical practices by some salespersons (Mittal and Garg, 2019).

$H_0$7: Competitive intensity in the organization has a significant effect on mis-selling practices.

Incentive-based pay structure**:** The most common forms of remuneration are only salary or commission (Hall, 2007). Sales personnel in the Indian financial sector are mostly motivated by the incentive-based sales structure, where they believe in a "sell more & earn more" concept and that might harm their ethical sales practices (Mittal and Garg, 2019). Recent research on financial mis-selling has identified commission-based sales as the major cause of mis-selling (Tosun, 2020). It has also found that in private sector banks only high commission-based products recommended to the customers for generating high sales incentives which leads to financial mis-selling in the banks (Halan and Sane, 2016).

$H_0$8: Incentives based pay structure has a significant effect on mis-selling practices.

Product complexity**:** Complex nature of the financial services made it difficult for many customers to understand the product features clearly (Zhang and Thomson, 2018). This created an opportunity for some salespeople to adopt unethical means for selling the products. The chances of mis-selling arise if the clients are not in a position to understand the features of a product which are the material facts to the purchase decision (Zhao, 2014). Carlin, (2009), Carlin, and Manso (2010) pointed out that product or product line complexity is also responsible for mis-selling of the product.

$H_0$9: Product complexity has a significant effect on mis-selling practices.

Poor Organizational culture**:** Organizational culture is a set of values, norms, and beliefs shared by members of an organization (Tuan, 2015). Organizational culture influences the ethical behavior of the employees. Fullerton (2013) revealed that ethical organizational culture has an impact on the ethical behavior of the salesperson. The ethical culture of the sales organization is recognized as an important aspect in determining the behavior of the employees (Hazrati, et al., 2012). Sub-standard organizational culture is the reflection of poor organizational frameworks and it influences the unethical behavior of the employees (Franke *et al.,* 2016).

$H_0$10: Poor organizational culture has a significant effect on mis-selling practices.

Methodology

Present study has been carried out in the three administrative districts of the Southern part of the Indian state of Assam: Cachar district, Karimganj districts, and Hailakandi districts. There are six leading Indian private banks with 27 branches. All the 27 bank branches have been considered for the study. Most of the bank employees in private banks are involved in the selling of products (Devi and Nagini, 2014). Hence all the bank employees were considered as the target population for the study. A list of employees with their contact numbers has been collected from the regional offices of respective banks after due approval.

Table 1.Bank wise distribution of samples

Bank Name	Name of the District	No. of Branches	No. of Employees
HDFC BANK	Cachar	3	41
	Karimganj	2	31
Yes Bank	Cachar	1	18
IndusInd Bank	Cachar	1	15
	Hailakandi	1	11
Axis Bank	Cachar	2	31
	Karimganj	3	43
	Hailakandi	1	17
ICICI Bank	Cachar	4	57
	Karimganj	2	32
	Hailakandi	1	13
Bandhan Bank	Cachar	3	47
	Karimganj	2	24
	Hailakandi	1	11

Source: *The author(s)*

There were a total of 412 employees in all the select banks. A Census survey has been considered for the study population as the size of the population is finite. Responses were collected by visiting the bank branches during the office hours (9.00 am -4.00 pm) during the weekdays. Initially, questionnaires were distributed to 402 employees of the select banks as ten employees were on leave during data collection. 397 questionnaires were received and out of which 6 questionnaires were rejected due to inadequate information. Finally, 391 questionnaires were used for the analysis.

Measurement of variables identified

Mis-selling is considered as the dependent variable in the study whereas ten variables such as Age, Job insecurity, Self-interest, Poor ethical value of salesperson, Inadequate Knowledge, sales pressure, competitive intensity, Incentives based pay structure, Product complexity, and poor organizational culture have been considered as the predictive variables in the study. The present study has aimed to analyze the effects of these ten variables on mis-selling. Extensive review of literatures revealed no such measurement scale to mesure the mis-selling. Hence it has been measured by framing the constructs based on the existing literature (Mittal and Garg, 2019; Halan and Sane, 2016; Franke, Mosk, and Schnebel 2016; Fullerton, 2013). Five items have been constructed on a continuous scale. The reliability of the scale has been tested using Cronbach's alpha test to check the internal consistency.

Age is a demographical variable and it is one of the predictive variables of the study. It can be measure by considering the age of the respondent directly or can be categorized into different age-group (Mittal and Garg, 2019). Ages of all the respondents were recorded and used for the analysis. Job Insecurity is another predictive variable of the study. Job insecurity has been measured by using the Job Insecurity scale (JIS) (Elst *et al*., 2014) having three dimensions (affective organizational commitment, perceived general health, and self-reported performance). Four items were constructed for the present study using a five-point rating scale under the three pre-determined factors. The scale is pre-validated but as the items were added for the present study so the reliability of the scale has been tested using Cronbach's alpha test. Self-interest has been considered as a categorical variable in the study and hence it has been measured on a dichotomous scale (Yes/No). Ethical value is another predictive variable of the study. Review of existing literature identified antecedents of ethical values of employees such as Integrity, Honesty, Fidelity, Reliability, and Self-discipline (McMurtry, 2009; SunJung et al. 2010). Studies revealed that salespersons having low ethical value might get involved in unethical sales practices (Dubinsky, Natarann, and Huang, 2004). As no measurement scale is available to the researcher to measure the ethical values of the salesperson. So, five items were constructed under each pre-determined dimensions of the ethical value using a five-point Likert scale. The reliability of the scale has been measured using Cronbach's alpha test. Inadequate Knowledge is a predictive variable in the present study. Jana (2016) investigated the way to measure the knowledge of an individual, group, and organization. Knowledge of the individual can be measured by conducting knowledge tests, simulations or judgmental tests, multidimensional scaling using the Likert scale, etc (Jana, 2016). Knowledge of the salesperson in the present study has been measured by constructing five items based on product knowledge, competitor knowledge, and market knowledge using a five-point Likert scale. Sales pressure is another important predictive variable that might affect mis-selling. Reviewing of existing literature revealed no such measurement scale available for sales pressure. Hence sales pressure can be measured by constructing statements on a Likert scale (Cowart and Darke, 2014). Sales pressure in the present study has been measured by constructing four items on a five-point Likert scale. The reliability of the scale has been tested to check the internal consistency using Cronbach's alpha test. Competitive intensity has been measured by constructing three items on a five-point Likert scale (YangChen *et al.* 2015). Reliability has been tested using Cronbach's alpha test. An incentive-based pay structure is another predictive variable of the study. As no existing scale is available to measure the incentive-based pay structure, hence it has been measured by constructing three items using a five-point Likert scale.

Financial products are complex (Celerier and Vallee, 2013; Carlin and Manso 2010). The complex nature of the financial products might have influenced the salesperson to involve in unethical sales practices (Zhao, 2014). Hence product complexity has been considered as a predictive variable in the present study. Product complexity is related to the level of understanding of the salespersons as well as customers towards the product design and knowledge intensity (Zhang and Thomson, 2018). Three items were constructed based on the product design and knowledge intensity of the salespersons on a five-point Likert scale. The internal consistency of the scale has been tested using Cronbach's alpha test. Glaser, Zamanou, and Hacker, (1987) examined the measurement of organizational culture. The study revealed that organizational culture can be measured by measuring Teamwork, Information flow, Supervision, and Involvement. This is further supported by Dirani (2009). Present study has measured the organizational culture by constructing four items under four dimensions (Teamwork, Information flow, Supervision, and Involvement) using a Likert scale. Cronbach's alpha test has been used to measure the internal consistency of the scale.

The self-administered questionnaire has been designed by constructing the items for each of the variables identified in the study using a measurement scale. The instrument has been validated by taking the expert advice and conducting a pilot survey among the 50 sales professional of five major private sector banks in the Silchar city of Assam. The questionnaire has been modified and reconstructed based on the expert advice and result of the pilot study.

Table 2.Reliability test

Factor	No. of Items	Cronbach's alpha	Reliability Status
Job Insecurity	4	0.788	Highly Reliable
Poor Ethical values	5	0.922	Highly Reliable
Inadequate Knowledge	5	0.861	Highly Reliable
Sales Pressure	4	0.745	Highly Reliable
Competitive Intensity	3	0.711	Highly Reliable
Incentive-based Pay structure	3	0.773	Highly Reliable
Product complexity	3	0.878	Highly Reliable
Poor Organizational culture	4	0.898	Highly Reliable
Mis-selling	5	0.811	Highly Reliable

Source: *The author(s)*

The internal consistency of the scale has been checked using Cronbach's alpha test. If the Cronbach's alpha is between 0.65-0.70, then it is acceptable as it gives satisfactory reliability. If Cronbach's alpha is more than 0.70 then it is considered that reliability is very high and satisfactory (Kothari & Garg, 2014). In all the above cases (Table: 2), the value of Cronbach's alpha is more than 0.7. Hence it can be considered the reliability is very high in all cases and the statements constructed under each factor are highly consistent.

Regression Model

The present study aimed to determine the influence of ten predictive variables on one criterion variable. This relationship between predictive and criterion variables can be established by conducting the regression model. The present study has one dependent variable or criteria variable which is measured on a continuous scale and ten independent variable or predictive variables, which are measured on a continuous and categorical scale; hence linear multiple regression model is appropriate for this analysis. It is important to check the normality and multi co-linearity of the data before proceeding towards multiple regressions.

Table 3.Skewness and Kurtosis test

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	**Statistic**	**Statistic**	**Statistic**	**Std. Error**	**Statistic**	**Std. Error**
Mis-selling	391	3.9821	.68850	.023	.123	-.881	.246
Age	391	29.3760	6.43104	.726	.123	-.416	.246
Job-Insecurity	391	4.1228	.67957	-.156	.123	-.838	.246
Self Interest	391	4.1790	.65529	-.203	.123	-.717	.246
Poor Ethical Values	391	4.1253	.69588	-.174	.123	-.930	.246
Inadequate Knowledge	391	4.1279	.68239	-.166	.123	-.855	.246
Sales Pressure	391	4.3478	.68068	-.564	.123	-.754	.246
Competitive Intensity	391	4.2302	.72904	-.385	.123	-1.048	.246
Incentive-Based Pay Structure	391	4.3018	.73098	-.537	.123	-.970	.246
Product Complexity	391	4.1432	.73026	-.228	.123	-1.100	.246
Poor Organizational Culture	391	4.1790	.71516	-.277	.123	-1.018	.246
Valid N (list-wise)	391						

Source: *The author(s)*

The normality of the data has been tested (Table:3) using Skewness and Kurtosis test for all the test variables. If the Skewness and Kurtosis value are between +2 and -2, then it is assumed that the data is normally distributed (George, and Mallery, 2010). The present study showed that Skewness and Kurtosis value for all the test variables is between +2 and -2. Hence it has been considered that the data is normally distributed and it is free from outliers.

Table 4.Multicollinearity test

	Collinearity Statistics	
Independent Variables	**Tolerance**	**VIF**
Age	.980	1.021
Job Insecurity	.545	1.834
Self Interest	.700	1.429

Poor Ethical Value	.562	1.781
Inadequate Knowledge	.492	2.032
Sales Pressure	.285	3.514
Competitive Intensity	.370	2.701
Incentive-Based Pay Structure	.288	3.471
Product Complexity	.348	2.876
Poor Organizational Culture	.372	2.689

a. Predictors: (Constant), Poor organizational Culture, Age, Self Interest, Job Insecurity, Poor ethical values, Competitive Intensity, Inadequate Knowledge, Incentive-Based Pay structure, Product Complexity, Sales pressure

Source: *The author(s)*

Variance Inflation Factor (VIF) should be less than 10 for the variables to be free from multicollinearity (Hair et al., 1995). Some authors also said that VIF value should be less than 5 (Ringle et al. 2015). Lower the VIF value, higher is the chances of less collinearity. The present study (Table: 4) showed that VIF value for all the independent variables is less than 2. Hence it can be assumed that the Independent variables are free of multicollinearity. Hence the data is accurate to conduct a multiple regression test.

Table 5.Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.898[a]	.807	.802	.30566

Source: *The author(s)*

Model summary (Table:5) explained the value of R, R square, Adjusted R square, and standard error of the estimate. R is the multiple correlation coefficients and it indicates the overall relationship between the dependent variable with independent variables. A higher value of R indicates a stronger relationship between the variables. The value of R is 0.898 and it indicates that there is a good overall relationship between the dependent variable with independent variables. R square is the coefficient of determination and it explains the percentage of the total variance of the dependent variable explained by the independent variables. Multiple regression considers the value of adjusted R square instead of simple R square. Adjusted R square in the model is the modified version of R square that has been modified with the number of predictive variables in the model. The value of adjusted R square is 0.802 and it indicates that 80.2% of the total variance dependent variable (Mis-selling) is explained by the independent variables in the study.

Table 6.ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	151.590	10	15.159	162.254	.000[b]
	Residual	36.250	388	.093		
	Total	187.840	398			

a. Dependent Variable: Mis-selling

b. Predictors: (Constant), Poor organizational Culture, Age, Self Interest, Job Insecurity, Poor ethical values, Competitive Intensity, Inadequate Knowledge, Incentive-based Pay structure, Product Complexity, Sales pressure

Source: *The author(s)*

ANOVA statistics (Table:6) explained the F ratio and Significance value with degrees of freedom and mean square value. ANOVA table examines the significance of the model and the overall fitness of the model. F value (162.254) with df 10 having a significance level 0.000 (p-value) which is less than the alpha value (α=0.05). Hence it can be said that the model is a good fit for the data and it significantly explained the variability of the dependent variable from the variability of the independent variable.

Table 7.Coefficients

Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	**95.0% Confidence Interval for B**	
	B	**Std. Error**	**Beta**			**Lower Bound**	**Upper Bound**
(Constant)	-.743	.145		-5.122	.000	-1.028	-.458
Age	8.474E-005	.002	.001	.035	.972	-.005	.005
Job Insecurity	.164	.031	.162	5.338	.000	.103	.224
Self Interest	.192	.028	.184	6.869	.000	.137	.247
Poor ethical values	.319	.030	.322	10.766	.000	.260	.377
Inadequate Knowledge	.233	.032	.233	7.286	.000	.170	.296
Sales pressure	.148	.042	.146	3.477	.001	.231	.064
Competitive Intensity	.077	.034	.081	2.234	.026	.009	.145
Incentive-based Pay structure	.081	.039	.086	2.069	.039	.004	.158
Product Complexity	.102	.036	.108	2.859	.004	.032	.172
Poor organizational Culture	.123	.035	.128	3.503	.001	.054	.192

a. Dependent Variable: Mis-selling
Source: *The author(s)*

The co-efficient table (Table: 7) provides the necessary information for the regression equation. Unstandardized co-efficient explains the variability of the dependent variable due to an independent variable when all other variables remain constant. t statistics and significance level examine the significance of each of the independent variables.

Table 8.Test of significance & Results of Hypothesis

Independent Variables	**Test of significance**	**Hypotheses**
Age	0.972 > 0.05, Statistically not significant	Null hypothesis ($H_0$1) accepted
Job Insecurity	0.000<0.05, Statistically significant	Null hypothesis ($H_0$2) rejected
Self Interest	0.000<0.05, Statistically significant	Null hypothesis ($H_0$3) rejected
Poor ethical Value	0.000<0.05, Statistically significant	Null hypothesis ($H_0$4) rejected

Inadequate Knowledge	0.000<0.05, Statistically significant	Null hypothesis ($H_0$5) rejected
Sales Pressure	0.001< 0.05, Statistically significant	Null hypothesis ($H_0$6) rejected
Competitive Intensity	0.026< 0.05, Statistically significant	Null hypothesis ($H_0$7) rejected
Incentive-Based Pay Structure	0.039<0.05, Statistically significant	Null hypothesis ($H_0$8) rejected
Product Complexity	0.004<0.05, Statistically significant	Null hypothesis ($H_0$9) rejected
Poor organizational Culture	0.001<0.05, Statistically significant	Null hypothesis ($H_0$10) rejected

Source: *The author(s)*, considering Alpha value (α=0.05)

Level of Significance (p-value) (Table: 8) for the independent variable *age* is 0.972 is higher than the alpha value (α =0.05) and is statistically not significant. Hence null hypothesis framed earlier ($H_0$1) has been accepted by stating that the age of the salesperson has no significant effect on the mis-selling activities. The significance value (p-value) for all other variables is less than the alpha value (α =0.05) and is statistically significant. Hence null hypotheses framed for all the variables except age have been rejected by considering that these variables have a significant effect on the mis-selling activities by the salespersons.

Regression equation

$$X= a+ b_1 Y_1 + b_2 Y_2 + b_3 Y_3+ b_4 Y_4+................+ b_n Y_n$$

X is the dependent variable and $Y_{1,}$ $Y_{2,}$ $Y_{3,}$ etc. are the independent variables and a is the constant and b is the regression coefficient. Constant is the slope and coefficient is the interception to the regression line. Constant is the predicted value of the dependent variable when the value of independent variables becomes zero.

The regression equation for the present study can be written as:

Mis-selling= -0.743 + 0.164 (Job Insecurity) +0.192 (Self Interest) +0.319 (Poor ethical value) + 0.233 (Inadequate Knowledge) + 0.148 (Sales Pressure) + 0.077 (Competitive Intensity) + 0.081 (Incentive Based Pay Structure) + 0.102 (Product Complexity) + 0.123 (poor organizational Culture).

The regression equation of the study can be interpreted by considering regression co-efficient. When there is one increase in the Job-insecurity among the salespersons, then there will be a 0.164 unit increase in the mis-selling activities by the salesperson. Similarly, when there is one increase in the self-interest of the salesperson, poor ethical values, inadequate knowledge, Sales pressure, Competitive intensity, Incentive-based pay structure, product complexity, and poor organizational culture, then there is a respective unit increase in the mis-selling activities by the salespersons. Finally, it can be interpreted that all these variables except age have a positive influence on the mis-selling activities by the salespersons.

Result & Discussions

Multiple regression analysis has been conducted to analyze the impact of the ten independent variables (Age, Job Insecurity, self-interest,Poor ethical values, inadequate knowledge, sales pressure, competitive intensity, incentive-based pay structure, product complexity and poor organizational culture) on the mis-selling of the financial services. All the variables except the age of the salesperson found to have a significant effect on the mis-selling activities by the salespersons (Table:9).

Table 9.Determinants of Mis-selling practices

Determinants	Causes of Mis-selling
Age	Age of the salesperson has no significant effect on the mis-selling activities
Job Insecurity	Job-insecurity of the salespersons has a significant effect on the mis-selling activities by salespersons.
Self Interest	Personal interest of the salespersons has a significant effect on the mis-selling activities by salespersons.
Poor ethical Value	Poor ethical values of the salespersons have a significant effect on the mis-selling activities by salespersons.
Inadequate Knowledge	Inadequate Knowledge of the salespersons has a significant effect on the mis-selling activities by salespersons.
Sales Pressure	Sales pressure given by the company or supervisor on the salespersons has a significant effect on the mis-selling activities by salespersons.
Competitive Intensity	The competitive intensity of the market has a significant effect on the mis-selling activities
Incentive-Based Pay Structure	The incentive-based pay structure offered by the company has a significant effect on the mis-selling practices by salespersons.
Product Complexity	The highly complex product offered by the company has a significant effect on the mis-selling practices by salespersons
Poor organizational Culture	Poor organizational culture of the company has a significant effect on the mis-selling practices by salespersons.

Source: *The author(s)*

Therefore, it can be interpreted that age is not an influential factor in mis-selling but when a salesperson is feeling insecure about his job he will behave unethically to save his job. Having low ethical values or a lack of product knowledge will influence a salesman to behave unethically. Having intension of personal benefits by earning a high commission influence salesman to behave unethically. Having high sales pressure from the supervisor compels a salesman to involve in mis-selling to save his job. High competition or intention of earning high commission influence the unethical behavior of salespersons. When a salesperson is unable to understand or demonstrate a product due to its complex features, he knowingly or unknowingly involves in mis-selling. Lack of ethical practices in the organization enhance the unethical behaviour of the employees.

Managerial implication and Conclusion

The adoption of unethical practices in business predominantly in financial industries has become a serious concern for today's markers. It not only impacts the business or the customers but it affects society at large. There is conclusive evidence of major financial scams in India because of such unethical sales practices. Regulatory bodies like RBI, SEBI, or IRDA were very prudent for such activities and adopted a zero-tolerance policy by framing stringent guidelines for financial institutions like banks or insurance companies. This has brought the attention of many scholarly researchers and hence it gained significant importance in research. Little attention has been given to explore the causes for such unethical practices nevertheless numerous scholarly literature signified its impact on the customers, business, and society at large. The present study investigated the antecedents for such unethical practices in banks by exploring existing literature and examining the bank employees of leading private sector banks in India. The study revealed that both personal factors as well as organizational factors are found to be liable for catalyzing unethical behavior in a salesperson. Age, Job-Insecurity, Self-interest, poor ethical value, inadequate knowledge though has been identified as a personal factor but the present study disproved the fact that the age of the salesperson has a significant link with his unethical behavior. In addition to the personal factors, sales pressure, competitive intensity, incentive-based pay structure, product complexity, and poor organizational culture are categorized as organizational factors that have a significant impact on the unethical behavior of the salespersons. Competitive intensity is the only factor that is external to the organization and is found to be beyond control. The effect of the rest of the variables can be diminished by modifying their intensity. Providing ethical training to the employees, reducing excessive sales pressure on the employees, redesigning organization policy, reframing pay structure, regular counseling of the employees, etc. are some of the preventive steps that can be adapted to control such unethical practices in banks. Every member of the organizational hierarchy is accountable to improve the business standard and quality by inhibiting the culture of unethical practices prevailing in business.

Limitation and Future scope

The present study explored the financial service industry in India with a specialized emphasis on private sector banks to identify the determinants of unethical sales practices. This study has been carried out from the perspective of the salespersons of the banks only by excluding customers from the study. Customers also play an essential role in the identification of mis-selling determinants because it is not just the salesman but the ignorance of the customers and blind faith on salesperson also up to a certain extent responsible for the occurrence of such events. Future studies can be carried out from the perspective of both salespersons as well as customers to identify the determinants of mis-selling.

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