

PalArch's Journal of Archaeology of Egypt / Egyptology

INVESTIGATING THE USER PERCEPTION OF ETHICAL PRACTICE IN SAUDI BANKS

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Noura Alarifi, Jamaldeen Faleel. Investigating The User Perception Of Ethical Practice In Saudi Banks-- Palarch's Journal Of Archaeology Of Egypt/Egyptology 18(13), 78-87. ISSN 1567-214x

Additional Keywords And Phrases: Banking, Saudi Arabia, Customers, Ethics

ABSTRACT

Banking sector is an important sector for any country as it provides the means for the financing the different important projects. The most common problem that is faced by the banking sector is the problem of the interest rate. Islamic countries are also seen to be implementing interest rate. Besides that there are other ethical issues also that are seen to be faced by the banking industry. In country like Saudi Arabia where there are the strict laws and regulations, the banking industry is still seen to be facing the problems regarding implementation of the corporate ethics in their different functions. Most of the processes lack the transparency and the customers are not provided with the complete details. The purpose of this research is to determine the ethical issues faced by the banking sector of Saudi Arabia. This study has made the use of the primary methods in which a survey was conducted from 100 people who were contacted through e-mail. The findings have indicated that still there is the need to bring the improvement in the banking sector of Saudi Arabia regarding the ethical practices. In conclusion, the banks should make sure that they are not involved in any kind of the risky investments, and before investing in any project they should attain the permission from the people whose money would be invested. Banks should also inform their customers on the additional charges imposed for certain services.

CCS CONCEPTS • Insert your first CCS term here • Insert your second CCS term here • Insert your third CCS term here

ACM Reference Format:

First Author's Name, Initials, and Last Name, Second Author's Name, Initials, and Last Name, and Third Author's Name, Initials, and Last Name. 2018. The Title of the Paper: ACM Conference Proceedings Manuscript Submission Template: This is the subtitle of the paper, this document both explains and embodies the submission format for authors using

Word. In Woodstock '18: ACM Symposium on Neural Gaze Detection, June 03–05, 2018, Woodstock, NY. ACM, New York, NY, USA, 10 pages. NOTE: This block will be automatically generated when manuscripts are processed after acceptance.

INTRODUCTION

The different financial institutions, including the bank, equity firms, credit agencies and the others are considered by the people to make their money save and secure so that they would be able to use it in when needed. Banking consist all kinds of insurance companies, private equity firms, pension funds and credit agencies [1] According to Goyal and Joshi (2011), banks are judged on the basis of their capability to develop the financial instruments such as the highly complicated credit schemed that allows the investors to connect their money with the different organizations that are in the need of the different financial resources so that they could utilize them in the best possible way [2]. Mulki and Jaramillo (2011) stated that the commercial banks are considered as the financial institutions that come under the profit making institutions, keeping and lending the money to the others for the purpose of profit [3]. The different commercial banks are the joint stock establishment that are created to attain the profits includes attaining the deposits on the saving accounts, current accounts or other accounts and the checks drawn

In a research done be Jehanzeb et al., (2012), banks are seen to be keeping different details of their clients and the sources secret and have formulated the different ethical principles to ensure that any kind of the unethical practices should be avoided. Also, they are claiming to be providing the clear and transparent policies for their customers as it is the requirement of the banking sector[4]. However, the real conditions are seen to be not the same as claimed. Marcinkowska (2012) emphasized that transparency in the different bank activities is very important and if there is the question mark on the transparency of the banking industry, then it could be said that there would be the considerable risks in the different activities of the bank [5]. The different aspects of the banking are seen to be less transparent or sometimes not clearly understood by their customers especially the common people. The unethical and the unprofessional behaviour of the banks could cost them to lose their customers as the unethical behaviour causes the lack of confidence of the customers towards the banks, which eventually could damage the reputation of the banks and also could affect their profitability [6-8].

The problem is not seen to be different in the other countries and also the banking industry in Saudi Arabia is seen to be facing the different issues regarding the ethical practices. Hence, this study intend to determine the conditions of the banking sector of Saudi Arabia which would also be helpful for the different banks to know about what the customers think over the different ethical challenges that are faced by them. This study would be allowing the banking sector of Saudi Arabia to become strong as they would know about the needs regarding making the ethical policies of the banks stronger and making sure to implement such policies effectively so that the customers would also create the positive perception about their services.

METHODOLOGY

For conducting this whole research quantitative methods were used in which the primary resources were used to collect the data. The primary data that is collected is the data that is original and obtained first hand so there is no issue regarding the authenticity of the data so it could be said that these methods provide the accurate data. Primary methods are used as it allows attaining the data according to requirements that is relevant so it facilitates the research.

The population of 120 was considered in this research from which the sample of 100 was chosen to achieve the responses. Sampling allows the researcher to collect the limited data from the selected group. In this research random sampling was used.

For conducting this research as the quantitative methods were used to collect the primary data, thus the data collection tool that was used was conducting a survey using the questionnaire. A survey is the important form of the primary data that is used to collect the data directly from the respondents. In order to collect the data in this research the questionnaires were based on the Likert scale format, in which the respondents were provided with the scale having the range from strongly agree to strongly disagree, ranked from 1 to 5. The questionnaire was formulated in simple language by keeping in view the objectives of the research and also the five ethical issues that were provided in the literature review, including the interest rates, being over speculative, and transparency, investments in the projects or schemes that are not environmental friendly and also about the hidden charges of the customer services. The questionnaires were sent through e-mail and the respondents were provided with the time of one week so that they could easily respond to the questions. Sending questionnaire through email allowed to save time and also made it easy to send and collect the questionnaires conveniently.

Result And Discussion

Questionnaire was used to collect the data that allowed the respondents to select from the 5 options as they were based upon the Likert scale. The questionnaire was based upon the 11 questionnaires and the findings are interpreted as follow.

Most of the banks are involved in the risky investments

The first question that was asked from the respondents was regarding the risky investments that are made by the banks and they responded in this way that 25% said they strongly agree, 20% said agree, 5% said neutral, 36% selected the option of disagree and 14% selected strongly disagree. These values are shown in the bar graph in Figure 1. Most of the population selected the option of disagree that indicates that many people of the population were those who believed that the banks are not involved in the risky investments though a considerable amount of the people also selected the option of strongly agree and agree that indicates that many people still think that the most of the banks

are involved in the risky investments. The response shows that people have the mixed opinion about the investments made by the banks.

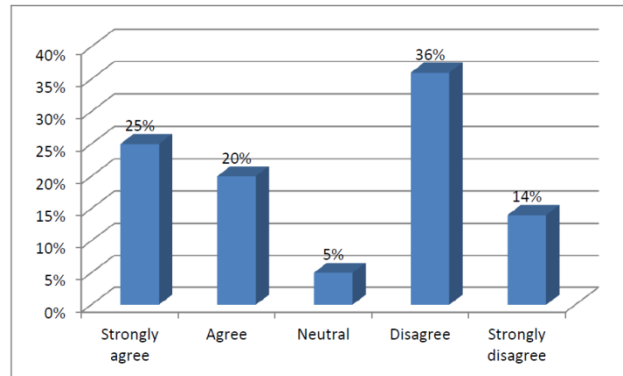


Figure 1: Respondents’ response on banks’ risky investments

Banks are seems to be just considering about their profit

Figure 2 depicted the second question that was asked from the respondents on whether the banks only consider their profitability and not think about the whose money they are using and they responded in this way that 30% said they are strongly agree to this question, 15% said agree, 23% said neutral, 15% selected the option of disagree and 17% were strongly disagree. The results point out that most of the people were with the opinion that banks only consider their profits while making the investments whereas 32% of the population selected the negative option indicating that people consider that it is not necessary that the banks only consider for their profits while making investments as the banking system of Saudi Arabia is strict that has to follow the certain rules and the regulations set by the government.

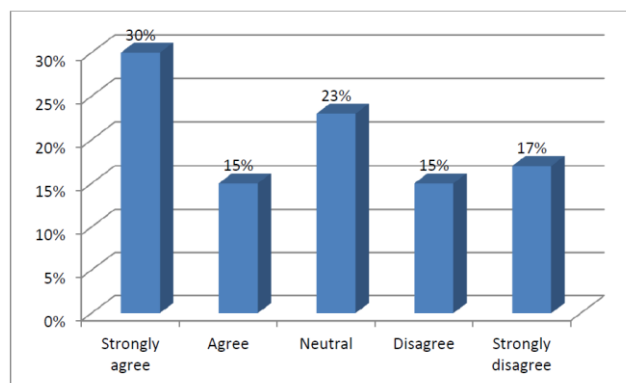


Figure 2: Respondents’ response on banks’ profit consideration

Banks charging high (interest/profit) rates

The third question that was asked from the respondents was do they think that the banks are charging higher rates of the interests and. Based on the respondents’ response as shown in Figure 3, it was found that 0% strongly agree, 10% agree, 50% neutral, 20% selected the option of disagree and 20%

strongly disagree. Response to this question indicated that most of the people were neutral about this question, whereas some agree and a considerable amount of the people disagreed and might be, it is due to the image of the society of Saudi Arabia, which is an Islamic society following the principles of Islam and in Islamic interest is prohibited and this might be the reason that people had the negative point of view. Moreover, the people who considered the option of neutral it is possible that they think that the banks might be charging the interest rate, but they are not sure about that so they selected the option of neutral.

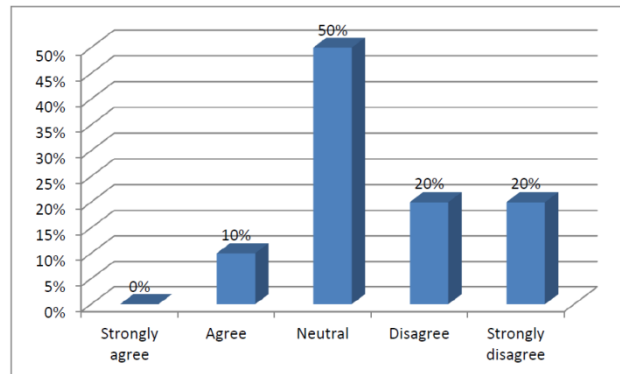


Figure 3: Respondents’ response on banks’ charging high interest/ profit rates

Banks give priority to their profits over the ethical practices

The fourth question that was asked from the respondents was whether they think that the banks provide the priority to their benefits over the ethical principles and their responses were presented as shown in Figure 4. 20% strongly agree, 21 % agree, 30 % neutral, 15% selected the option of disagree and 14% strongly disagree with this question. This response indicated that the people think that banks provide the priority to the profits over the ethical principles and some of the people also said that they have seen the good ethical principles followed by the banks. Nevertheless most of the people did not go for the negative options on this question indicate that banks are in the need to focus upon the ethical practices.

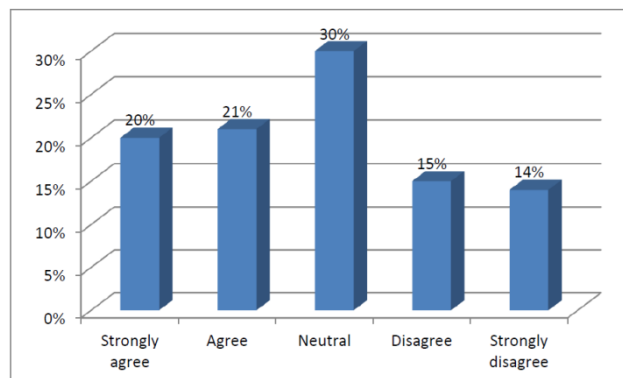


Figure 4: Respondents’ response on banks’ priority to their profits over the ethical practices

Banks are not providing the complete information regarding their services to the customers

Figure 5 depicted the answers for the fifth question that was asked from the respondents was that banks do not provide the complete information to their customers and most of the respondents. The results revealed that 40% strongly agree, 30% neutral, 20% agree, 10% disagree and 0% strongly disagree. This proved that banks prefer to hide the proper information from their customers and mostly offer the incomplete or unclear information to their customers about the different services and this practice is not good.

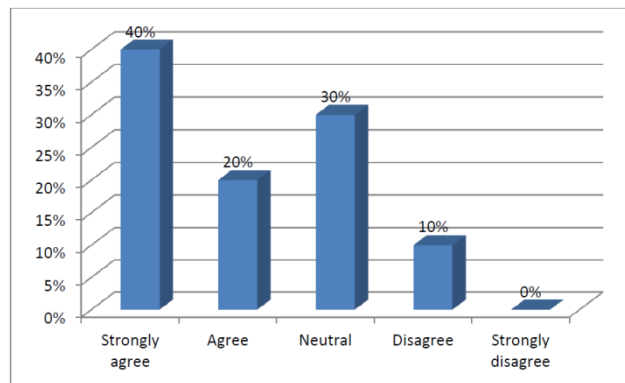


Figure 5: Respondents’ response on banks’ transparency regarding information provided to customers

The attitude of the bank staffs towards customers

The bar graph in Figure 6 displayed the outcome of the questionnaire on the attitude of the banks staffs towards customers while providing services. The respondents’ answers suggested that 20% strongly agree, 50% agree, 20% neutral, and 10% disagree. Based on this question, it is shown that the bank staffs in most of the banks are friendly which indicates that the customers are treated effectively by the bank staff.

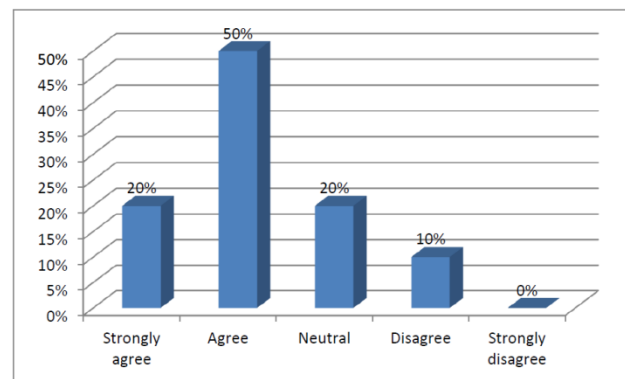


Figure 6: Respondents’ response on banks’ staffs attitude towards customers

Do banks investigate whether a project is environmental friendly or not before making an investment

The seventh question that was asked from the respondents was whether the respondents think that the banks make the enough investigations before making the investment to the projects that whether they are environmental friendly or not and the responses are presented in the bar graph in Figure 7. With reference to Figure 7, 20% agree, 40% neutral and disagree. No responders chose strongly agree or strongly disagree. The response given for this question signifies that most of the banks do not consider the impact on environment prior to making investments on projects.

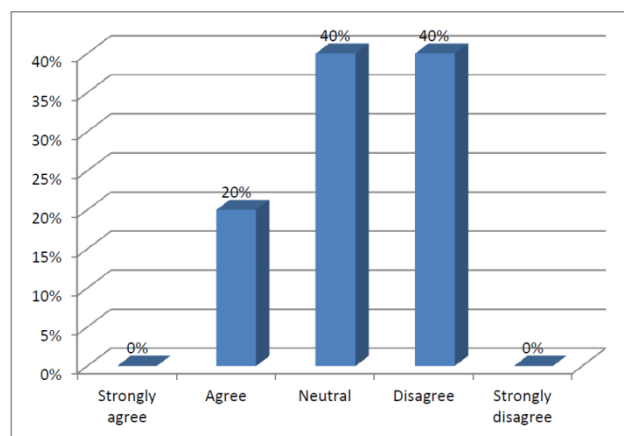


Figure 7: Respondents' response on whether banks make environmental friendly investments

Making investments on the green projects would be a good idea to be socially responsible

The eighth question that was asked from the respondents was about is it good for banks to make investments on the green projects in order to be socially responsible and they responded in this way that 40% Strongly agree, 50% agree and 10% neutral. This clearly showed that the people consider that by investing on projects that are good for the environment could help the different banks to become socially responsible and this is the responsibility of every organization that the society in which it works, it should work for the betterment of that society also whether it is about the betterment of the people or regarding the betterment of the different other things of the society. The results of the responses are presented in Figure 8.

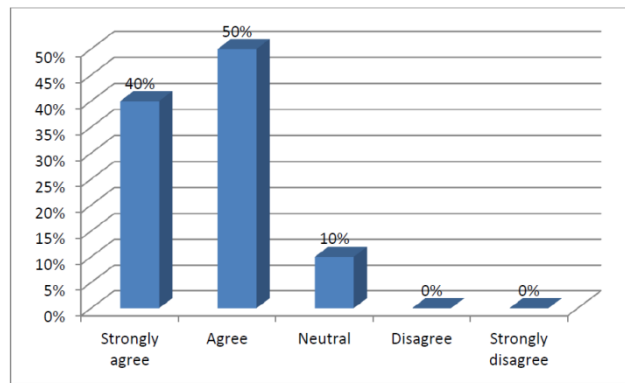


Figure 8: Respondents’ response on whether banks investment on green projects is a good idea to be socially responsible

Banks charging high fees for services

The ninth question that was on whether the banks charge high amount of the fees for the different services and they responded in this way that 30% strongly agree, 40% agree, 20% neutral and 10% disagree as shown in Figure 9. Most of the people responded positively to this question indicating that the banks need to review their policies regarding charging the customers for the different services that are providing. The customers must know whether there are any kinds of charges for the different services they are using and if there are, the charges then these charges must not be very high.

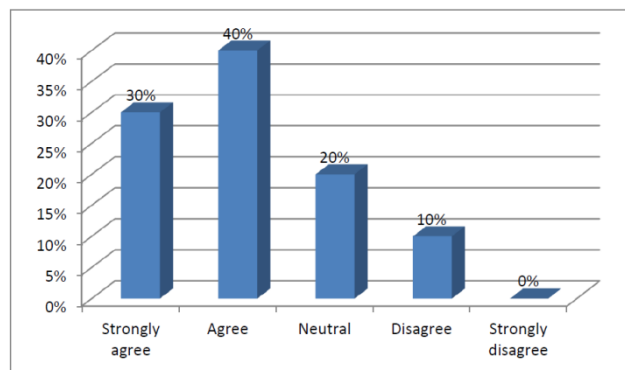


Figure 9: Respondents’ response on whether banks charging high fees for services

Banks transparency regarding their operations

The tenth question that was asked from the respondents was and do they think that the banks need to be more transparent and they responded in this way that 40% said strongly agree, 15% said agree, 15% said neutral, 20% selected the option of disagree and 10% were strongly disagree (refer to Figure 10 for the graphical representation of the data). It could be said that the banks in Saudi Arabia need to be more focus upon making their different operations transparent enough. Transparency in the different operations is very necessary and it is made sure only due to the effective implication of the different ethical

principles that makes sure that all the practices in the different banks are according to the ethical only so it would be making the operations more transparent and effective [9].

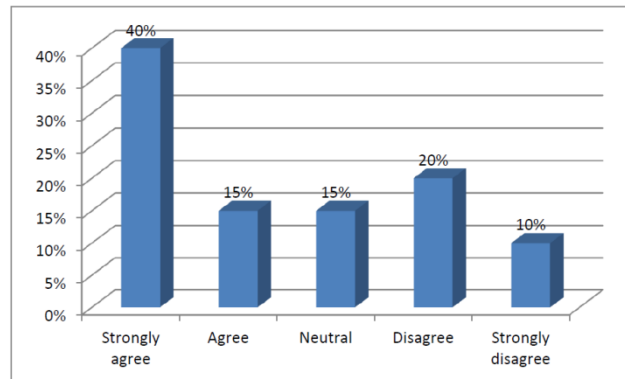


Figure 10: Respondents’ response on transparency of banks’ operations

Charging additional fees for online activities and other services is unethical

The eleventh question was charging the extra fees for online banking and other value added services like balance inquiry or the accounts statement unethical that was asked from the respondents and they responded in this way that 30% said strongly agree, 50% said agree, 16% said neutral, 4% selected the option of disagree and 0% were strongly disagree. The responses for this question indicates that the different charges for the services such as the online banking and the other customer services should not be charged and these services should be done for free according to most of the people of the respondents and this may be the reasons that people want that the banks to value their customers and therefore such services should not be charged with the fees. While 16% people were neutral that shows that they do not have any opinion, whereas 4% who disagreed might think that if the banks are providing their customers with any kind of the additional services then they could charge for these services and it is not wrong or unethical. The respondents’ vote on this statement is shown in Figure 11.

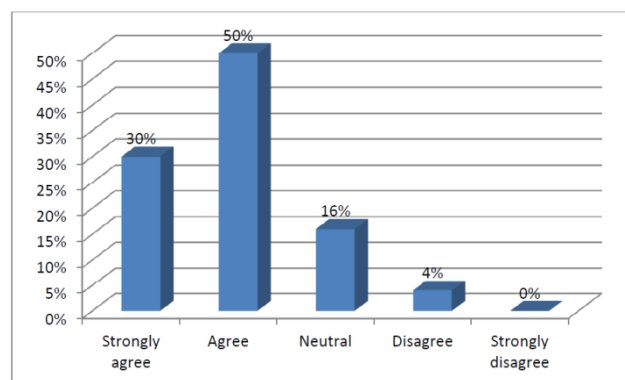


Figure 11: Respondents’ response on whether banks charging extra fee for online services and other services is unethical

CONCLUSION

It has been seen that the main purpose of this study was to study the ethical issues related to the banking industry of Saudi Arabia. The banking industry of any country plays a very important role to support the economy of the country as it plays an important role in making investments and financing the important projects. Moreover, it has been seen that this most important sector faces different problems in which ethical issues are also included. Banking are seen to be facing the ethical issues such as charging the high rates of the interests, making risky investments, charging the customers for the different services without notifying them and also making investments on the different projects without considering its negative impacts on the environment.

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