

**BUSINESS ETHICS AND FINANCIAL PERFORMANCE OF BANKING
INSTITUTIONS IN BUTALEJA DISTRICT**

BY

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**A RESEARCH REPORT SUBMITTED TO COLLEGE OF ECONOMICS AND
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A BACHELOR'S DEGREE IN BUSINESS ADMINISTRATION
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UNIVERSITY**

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DECLARATION

Babirye Fatuma do hereby declare that this work is original and has never been submitted to any other institution for a ward of any Degree or Diploma. Where the work of others has been used, reference has been made there of.

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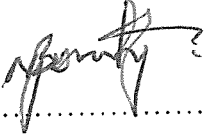
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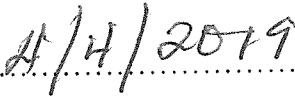
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APPROVAL

This report Titled “Business Ethics and Financial Performance of Banking Institutions in Mutaleja District.” has been submitted by Babirye Fatuma for examination with my approval as the University Supervisor, and it’s now ready for presentation.

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DEDICATION

This work is dedicated to my father Walita Ayubuh, Mum Mrs. Nahilya Amina for all the sacrifice, patience and commitment inclusive of the challenges you faced in educating and making me more enlightened. May the Almighty Lord bless you abundantly.

I also dedicate this piece of work to my supervisor, Dr. Kirabo Kyeyune B. Joseph for providing me with his professional guidance, encouragement and his time during the research process.

Lastly but not least, I also dedicate this piece of work to the entire staff of Butaleja District, the staff of Kampala International University especially the accounting and finance department as well as fellow students that gave me a platform which led to the success of this study.

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LIST OF ACRONYMS

TMs	An automated teller machine
D	Butaleja District
LG	Butaleja Local Government
AAP	Generally Accepted Accounting Principles
CR	Liquidity Coverage Ratio
M&A	Mergers and acquisitions
MO	Management Office
SLR	Supplementary Leverage Ratio
SMEs	Small scale and medium Enterprises

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ABSTRACT

Business Ethics and Financial Performance of Banking Institutions in Butaleja District. The study population was all the employees at Butaleja District during the calendar year 2018. The study found out that Business Ethics and Financial Performance of Banking Institutions Butaleja District. The study was based on three specific objectives; to determine the role of business ethics on financial performance of banking institutions in Butaleja district, to determine the effect of financial performance of banking institutions in Butaleja district and to identify the strategies to improve on business ethics on financial Performance of Banking Institutions in Butaleja District? It was based on descriptive research design basing on the use of qualitative and quantitative approaches that was to establish the relationship between Business ethics and financial performance of banking institutions in Butaleja district. A purposive sampling method was used in the study. Interviews and Questionnaires were used to collect primary and secondary sources of data from 60 out of 72 respondents, using simple purposive sampling. Data analysis was done using SPSS's frequencies and percentage means. It was based on purposive sampling design basing on the use of qualitative and quantitative approaches that were being adopted to determine the role of business ethics on financial performance of banking institutions in Butaleja district. Data was collected from both primary and secondary sources. Data was processed and analyzed using formal tables, narrative text, and graphs and pie charts to determine the role of business ethics on financial performance of banking institutions in Butaleja district.

The findings indicated that a customer is always confident because customers feel that there is safety of the clients' money in the bank and 54% strongly agreed and 52% strongly agreed that a customer is always respected by the employee's according to the business ethics that a customer is our boss thus a bank is liable to run business books in compliance with the banking chart of accounts, preparation of bookkeeping documents, evaluation of assets and liabilities, drafting of financial statements in accordance with applicable regulations and professional standards (the Central Bank may prescribe, for the purpose of public announcement, a type, form and content of statements, method and deadlines for their publication). According to objective two, though there are increased profits in banking institutions leads to better performance of banks with the percentage of 58 who strongly agreed the effect of financial performance of banking institutions have recorded series of ethical behavioral actions like courteous behaviour, with the percentage of 58% who strongly agreed that illegal charges, poor dressing code, unauthorized debit and armed robbery operations that were masterminded either by a staff or the branch manager of the bank as an accomplice of the crime. Moreover, with ethics and risk management embedded into the organizational culture, it further assures improved profitability. According to objective three, the summary findings indicated that good strategies to improve on business ethics on financial Performance of Banking Institutions have increased numbers of customers with the percentage of 58 which in return led to improved financial performance of banking institutions as well as qualified employees with the percentage of 54%. The Commission should also consider taking action to such actions would create substantial demand based incentives for financial institutions to develop environmental expertise and products. Finally the report looked at the study results and gave the discussion of each finding. Therefore, here, data analysis, procedures and response rate are focused on. Then the findings conclusions and recommendations are presented. The report also showed the work plan for the whole research, the budget as distributed right from the topic inception up to research presentation, the questionnaire and finally the observation guide.

CHAPTER ONE

INTRODUCTION

0 Introduction

This chapter presents the background of the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope, significance of the study, justification of the study and conceptual frame work.

.1 Background to the study

.1.1 Historical Perspective

Over the years, a great deal of research has focused on business ethics. Like many constructs in management, business ethics has been conceptualized and measured in several ways. Common to all the conceptualizations of business ethics found in the literatures is a link with ethical principles and morals or ethical problems that arise in a business environment. Previous studies have also demonstrated that business ethics is positively related to the process by which good conducts are applied in business (Machan, 2007). In addition, (Watson, 2003) stated that business ethics involves the exhibition of high level of integrity in business dealings, and it must apply to all aspects of business conduct which must be relevant to the conduct of individuals and business organizations as a whole.

According to (Nwachukwu, 2006), ethics is seen as the “Science of conduct”. It involves learning what is right and doing the right thing. Thus, when discussing the rules and principles that define right and wrong conduct, one is dealing with ethics.

Most researchers of business ethics treat the business firm as exhibiting good ethics when the organizational members know what is right or wrong in the workplace and do what is right. The process of exhibiting good ethics is seen as the principles, policies and values that serve as operational guidelines for individuals and organizations for decisions concerning what is morally right and or wrong (Nwachukwu, 2006). To (Jaja and Okwandu, 2006), ethics is the science relating to moral action and one’s value system. Managers envision ethics as dealing with

inciples or morality and what is wrong or right (Jaja and Okwandu, 2006). Ethics is concerned with motives and attitudes and the relationship of these attitudes to the good of the individual. Ethics has to do with action we wish people would take, not actions they must take. Then, values are interwoven with ethics, values are personal beliefs about the truth and worth of thoughts, objects from the laws as ethics may be distinguished from the laws. Ethics are internal to one, and it looks to the good aspect of an individual rather than society as a whole, and concerns the "why" of one's actions. The law comprises of rules and regulations pertinent to society as a whole, and is external to one and concerns one's actions and conduct. What did the person do or fail to do as opposed to why do the people act as he or she did? These are issues in ethics (Jones and Parker, 2005).

Consequently, the study of business ethics provides business owners with the parameters what is acceptable and unacceptable behaviour. It provides the standard against which people can compare their behaviour. It provides a focus and common goal. It helps business owners to deal with managerial mischief which includes illegal, unethical or questionable practices of individual managers or organizations. It is a common belief that organizations have goals or objectives which must be accomplished to achieve goals. All organizations are purposive. They are established to accomplish an objective. Individuals in an organization work in order to help accomplish these objectives (Nwachukwu, 2006).

These individuals wish to accomplish their own goals through the organization when the goals of the individual and the goals of the organization are the same, we have goal congruency. A company may have many or multiple objectives. The objectives could be stated to cover major operation responsibility areas such as, shareholders, customers, employees and society, and joint venture partners. These goals cover the major stakeholders and they must be achieved through positive indices that indicate organizational performance, such as return on investment, sales volume, profitability and profit margin among others gap this study explores to analyze the interactive, between the dimensions of business ethics and organizational performance. Hence, this study is intended to examine "Business Ethics and Financial performance with focus on selected companies in Rivers State (San-Jose, L2011).

Ethics was advocated by the greatest Greek philosophers: Socrates, Plato and Aristotle. The creator of ethics as a study of morality was the Greek philosopher Socrates (470-399 BC), who used ethics to define the terms of human virtues. The most important personal values are:

righteousness, courage, honesty, tolerance, goodness, sincerity and fairness. In the field of ethics, Socrates and the entire Hellenic world saw the issue of it as a human characteristic and the greatest moral value. Socrates believed that virtue can be taught, i.e. that virtue is knowledge. A man must know what good is in order to do well (Van Nimwegen, 2004).

Ethics belongs to philosophy because it studies human behaviour from a certain moral aspect. The focus of ethics is the community, and moral good is seen as the universal welfare of the community. Since ethics and morality mean the same in etymological and semantic terms, they are often used as synonyms. Morality, as a social norm of human behaviour, is a group of unwritten rules and customs governing interpersonal relationships. One of the characteristics of morality is its autonomy because moral norms are valid in themselves (the subject adopts them independently, and not under pressure from others). It is based on the principles that determine how a person should behave. Morality is the goal that we should strive towards. Since morality is a system of values, it serves to decide what is good and what is not, i.e. to differentiate between good and bad actions. Morality is very similar to law, but in contrast to law, it does not involve any political or economic sanctions (Soeters, 2004).

Ethics as the study of morality examines the meaning and goals of moral norms and establishes the criteria for moral evaluation. The main ethical terms include: morality, goodness, conscientiousness, evil, freedom, happiness, love and virtue. Righteousness, morality and economic rationality and self-interest frequently overlap and intertwine.

In the said context, love can be described as a strong feeling of commitment. It is a condition that involves the following elements: affection (mutual respect), altruism (mutual selflessness) and helpfulness (readiness to help each other). Love is the basis of all fellowship, it involves support and care, and its ultimate goal can be absolute devotion (Cheng, 2010).

Morality relies on the awareness of the individual and society. An individual has a moral feeling when he hears "the voice of conscience" a sanction that the subject applies to himself in a specific moral situation. Examining one's own actions means that we rationally justify and analyze our actual behaviour. The unconscious element that forms our conscience is the fear of punishment, so that the inner norm serves to prove our moral coherence. Thus, conscience as a moral paradigm is always present within us and we cannot deny it. The evidence lies in the public demonstrations by which we try to prove to the society our righteousness through conscientious behavior (Zineldin, 2006).

business ethics is a world operational philosophy that seeks to establish those organizational conducts, attitudes, perceptions and value systems that conform to established standards.

It began to develop as a field of study in the 1970s. Theologians and philosophers laid the groundwork by suggesting certain principles that could be applied to business organizations as a "code of conduct" that guide their operations (Ferrel, 2008). The need for established standards of behaviour had predisposed most organizations especially financial institutions to evolve and entrench ethical practices as part of their culture to mold and direct their employees' actions and value systems toward the expected "code of conduct" in an attempt to enhance corporate performance. (Ferrel, 2008) observed a number of well-published scandals that eventually result in public outrage on deception and fraud in business organizations. (Sigurthorsson, 2012) notes that unethical management practices affect corporate performance therefore, stressed the need for business firms to integrate ethics in an attempt to establish those organizational conducts that conform to established standards.

Business ethics is an interdisciplinary academic field of study (Soeters, (2004), however this feature also makes it controversial. For this reason, there is no consensus among researchers as to the adaptation of the concept to organizational practices and the resolution of ethical dilemmas (Ferrell, Fraedrich, & Ferrell, 2008; Mauro, Natale, & Libertella, 1999).

Business ethics tries to find answers to such questions as what behaviors are acceptable or unacceptable for a good working life (Ferrell et al., 2008; Sintonen&Takala, 2002) within the framework of a reciprocal relationship between ethical principles and organizations (De George, 1987). According to the definition of (Lages, 2012), business ethics is the pursuit of understanding what can be considered acceptable about the activities of organizations operating in a particular culture at a particular time.

(Icke, 2011) opines that ethics is a core management tool employed to foster the required value system within its operational system through logical positivism and conditional normatism. It is concerned with the normative aspect of behaviour an organization considers as standard and desirable, that revolve around the pervasive value system of "right" and "wrong" or "good" and "bad". Therefore, business ethics in management perspective is morally driven, it seeks to strike a balance between "right" and "wrong".

Generally, ethical perspectives on management as observed by (Caliskan, 2011) involve all managerial activities, responsibilities, authorities and expectations that have to do with value judgment on what is right and wrong. This, however, reflects on the moral consciousness and morality inherent in most organizations that evolve around social responsibility, social responsiveness, social contract and corporate performance. (Agha, 2010) confirmed that ethical quality of organization is determined by the separate actions of central management and their staff, employers, their employees and their clients. Each of these is almost always at one time or the other facilitating decision making which produce a sustainable result that directly help to set the moral tone of the organizations.

Conversely, organizational standards are defined by their mission statement, objectives, rules and regulations which are collectively referred to as culture. Thus, culture implies assumptions and beliefs about organization's values, beliefs, symbols, myth, etc that give meaning to organizational members, and collectively accepted as a guide to expected behaviour. Therefore, culture is a problem of internal integration and external adaptation. As a way of doing things in a given place, culture becomes a set of shared values, norms and beliefs that guide organizational members to behave as expected (Abara, 2014). More so, (Hofstede, 1984) argues that divergent cultures connote different values in conducting business activities. These values shape the roles with which organizations assume within societies and what is expected of them.

Ethical management practices of commercial banks according to (Fassin, 2011) are relatively directed to the compliance of the established "code of banking ethics". However, the basic code of banking ethics consist of transparency of transactions, honest, confidentiality and keeping information on customers, proper use and care of information, accurate record keeping, promotion of banking service, service to customers, handling customers complaints, impartiality, reliability, avoiding conflict of interest, refraining from bribery and corruption, positive and fair dealings with officials, government representatives and competitors (Graafland, 2011). In the same vein, (Hortaesu and Guay, 2004) identified the following unethical behaviors as: fraud and forgery, bribery, customer discrimination, power pressure, lying and cheating, masterminding banks robbery, spreading negative information, breaching personal secrecy and money laundering.

1.2 Theoretical perspective

Utilitarianism as the moral standard among other theories favours this study. It sought an objective basis for making value judgments that would provide a common acceptable norm for determining social policy. The most promising way to reach such an objective ground of agreement, the theory suggests is by looking at the various policies and comparing the beneficial and harmful consequences of each. The right course of action from an ethical point of view would be to choose the policy that would produce the greatest amount of utility. Utilitarian principle holds that an action is right from an ethical point of view, if and only if the sum total of utilities produced by that act is greater than the sum total of utilities produced by any other act the agent could have performed in its place (Gibbons, 2011).

Utilitarian theory advocates that the right action for a particular occasion is the one that produces more utility than any other possible action; it does not mean that the right action is the one that produces the most utility for the person performing the action. Rather, an action is morally right if it produces the most utility for all persons affected by the action (Agha, 2010).

1.3 Conceptual perspective

Business ethics: Business ethics is the study of proper business policies and practices regarding potentially controversial issues, such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility and fiduciary responsibilities. Law often guides business ethics, while other times business ethics provide a basic framework that businesses may choose to follow to gain public acceptance (Rossouw, 2004).

The concept of business ethics arose in the 1960s as companies became more aware of a rising consumer-based society that showed concerns regarding the environment, social causes and corporate responsibility. Business ethics goes beyond just a moral code of right and wrong; it attempts to reconcile what companies must do legally versus maintaining a competitive advantage over other businesses. Firms display business ethics in several ways (Humphreys, 2008).

banking institutions: These are institutions whose major business is providing financial services

ethics: The question of ethics is one that is linked to the history of mankind. Ethics deals with the character and conduct of morals of human beings. It deals with good or bad, right or wrong behaviour; it evaluates conduct against some absolute criteria and puts.

performance

The word performance refers to the accomplishment of a given task measured against present standards of accuracy, completeness, cost and speed.

Financial Performance

is a general measure of an entity's overall financial health over a given period of time and can be used to compare similar entities across the same industry or to compare industries or sectors in aggregation.

.1.4 Contextual perspective

Butaleja District was created by Act of the Ugandan Parliament, and became operational on 1 July 2005. Prior to that the district was known as Bunyole County and was part of Tororo District. The predominant ethnicity in the district (85%) is Banyole, a Bantu tribe whose language is called Lunyole. Lunyole has been listed by the Institute of Languages of Makerere University among the endangered minority languages in Uganda. The main food of the Banyole is a finger millet meal called Obusiima. The traditional official meal included Obusiima and mushroom sauce.

It is in the light of the aforementioned that (Ferrel, 2008) noted that some factors must be considered when integrating ethics to business. They are: to survive business organization must earn a profit, if profits are realized through dishonest behaviour, could result to a bad corporate image to the organization; organizations especially financial institutions must balance their desire for profits against the need and desire of the society. (Rossouw, 2004) contends that business ethics revolve around identifying and implementing standards of conduct that will mould employee demeanors and perceptions that conform to established standards in the organization. Therefore, firms should develop rules, as established code of conduct to guide

organizational operations in their attempt to earn profits such that, it does not harm individuals or society as a whole.

1.2 Statement of the Problem

Business organizations strive to enshrine business ethics as part of organizational policies to guide organizational conducts, perceptions and value system within an established “code of conduct” in an attempt to enhance corporate performance in their operations. Most financial institutions hitherto have recorded series of unethical behavioral actions like uncourteous behaviour, illegal charges, poor dressing code, unauthorized debit and armed robbery operations that were masterminded either by a staff or the branch manager of the bank as an accomplice of the crime (Agha, 2010), observed the proliferation of well publicized examples of dishonesty, hypocrisy, cheating and greed in many organizations which have created some alarm on the state of ethical management practices. This is outrageous behaviour hence unethical. The unethical behaviour prevalence in most financial performance institutions affects corporate performance of the commercial banks. Therefore, the study was designed to determine the effect of business ethics on corporate performance in the Banking Industry.

1.3 Purpose of the study

The purpose of the study is to establish the relationship between Business ethics and financial performance of banking institutions in Butaleja district.

1.4 Specific objectives

- i. To determine the role of business ethics on financial performance of banking institutions in Butaleja district
- ii. To determine the effect of financial performance of banking institutions in Butaleja district.
- i. To identify the strategies to improve on business ethics on financial Performance of Banking Institutions in Butaleja District?

5 Research Question

- i. What is role of business ethics on financial performance of banking institutions in Butaleja district?
- ii. What is the effect of financial performance of banking institutions in Butaleja district?
- iii. What are the strategies to improve on the business ethics on financial Performance of Banking Institutions in Butaleja District?

.6 Scope of the Study

.6.1Geographical scope

Butaleja District is bordered by Budaka District to the north, Mbale District to the east, Tororo District to the southeast, Bugiri District to the south and Namutumba District to the west. The district headquarters at Butaleja, are located approximately 38 kilometres (24 miles), by road, southwest of Mbale.

1.6.2 Time scope

The study took a period of 7 months from January to May 2019. This period was selected to enable the researcher come up with coherent information from the respondents as it enabled those (Respondents) to give responses that will be typical of their opinion from the observations made over this period.

1.7 Significance of the Study

This study was carried out with a view to increasing the wealth of knowledge accumulated so far on the subject matter, business ethics and financial performance. The study also exposed the objectives of the firm with respect to how business ethics was applied in the decision making process of a company in order to achieve set goals which the realization of the expected performance for proper competitive advantage.

was important to examine the moral attitudes of employees, because in the context of the economic system that they created suitable conditions for the successful operation of the bank in competitive market environment.

In addition, Butaleja organizations, businessman and women, students, resources owners, and lecturers in management stood to gain a lot as the study to contribute immensely to their wealth of experience in the area of business ethics, and it stimulated thoughts in creative minds as a basis for further research.

2.8 Definitions of key terms

Banking institutions: These are institutions whose major business is providing financial services

Ethics: The question of ethics is one that is linked to the history of mankind. Ethics deals with the character and conduct of morals of human beings. It deals with good or bad, right or wrong behaviour; it evaluates conduct against some absolute criteria and puts

Performance: The word performance refers to the accomplishment of a given task measured against present standards of accuracy, completeness, cost and speed.

Financial Performance:

Is a general measure of an entity's overall financial health over a given period of time and can be used to compare similar entities across the same industry or to compare industries or sectors in aggregation.

CHAPTER TWO

LITERATURE REVIEW

0 Introduction

This chapter reviews the empirical existing literature on key micro finance concepts, looks at the financial policies offered by banking institution in Butaleja district, Business Ethics and its effects on the Performance of Banking Institutions in Kampala District

1 Theoretical review

Utilitarianism as the moral standard among other theories favours this study. It sought an objective basis for making value judgments that would provide a common acceptable norm for determining social policy. The most promising way to reach such an objective ground of agreement, the theory suggests is by looking at the various policies and comparing the beneficial and harmful consequences of each. The right course of action from an ethical point of view would be to choose the policy that would produce the greatest amount of utility. Utilitarian principle holds that an action is right from an ethical point of view, if and only if the sum total of utilities produced by that act is greater than the sum total of utilities produced by any other act the agent could have performed in its place (Agha, 2010).

Utilitarian theory advocates that the right action for a particular occasion is the one that produces more utility than any other possible action; it does not mean that the right action is the one that produces the most utility for the person performing the action. Rather, an action is morally right if it produces the most utility for all persons affected by the action.

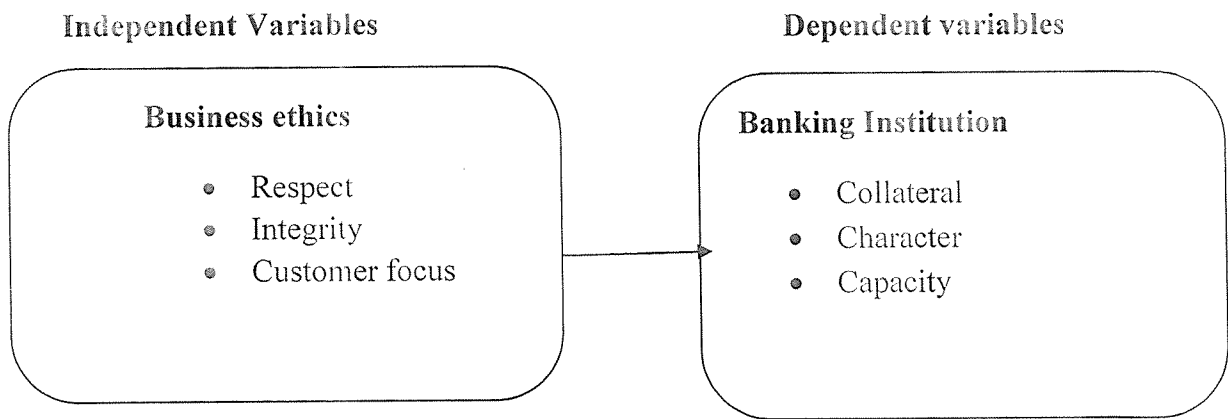
From the aforementioned therefore, utilitarian principle opine that the objectives of business organizations cannot be attained except the employees of the said organizations demonstrate ethical behaviour in the light of the assigned duties, thereby enhancing the corporate performance of the organizations. (Agha, 2010) observed that the forgoing is essential so as to develop strategies that will stimulate patronage for the services produced and provided by the business concern; the way business organization designs its banking operations. These according to (Agha, 2010) are the key determinants of whether a business is ethical and are as important as

the way it deals with crisis. The proponents of this theory are: Jeremy Bentham, Francis Hutcheson, David Hume etc.

2 Conceptual review

These are sets of coherent ideas or concepts organized in a manner that makes them easy to understand, they are theoretical structures of assumptions, principles and rules that hold together the ideas comprising a broad concept. The conceptual framework comprises of dependent and independent variable. The business ethics on financial performance is the dependent variable. It is achieved by the presence and proper functioning of all the predefined independent variables in relation to each category of the organization's objectives (Owusu, 2012). Proper functioning of independent variables provides reasonable assurance of proper functioning of dependent variables. The organization realizes present objectives of efficient and effective operations, collection of accurate, reliable and informative financial reports that comply with relevant legal and regulatory requirements.

Figure 1: 1.1 Conceptual framework



Source: (Adapted Brigham, 1985)

The independent variables were perceived as the interest rate whereas the dependent variable was the performance. The professed goal of making institution will improve the welfare of people living along Butaleja area (Brigham, 1985).

2.3 Conceptual review

Business ethics: Business ethics is the study of proper business policies and practices regarding potentially controversial issues, such as corporate governance, insider trading, bribery,

discrimination, corporate social responsibility and fiduciary responsibilities. Law often guides business ethics, while other times business ethics provide a basic framework that businesses may choose to follow to gain public acceptance (Yee, 2010).

The concept of business ethics arose in the 1960s as companies became more aware of a rising consumer-based society that showed concerns regarding the environment, social causes and corporate responsibility. Business ethics goes beyond just a moral code of right and wrong; it attempts to reconcile what companies must do legally versus maintaining a competitive advantage over other businesses. Firms display business ethics in several ways (Lages, 2012).

Banking institutions: These are institutions whose major business is providing financial services

Ethics: The question of ethics is one that is linked to the history of mankind. Ethics deals with the character and conduct of morals of human beings. It deals with good or bad, right or wrong behaviour; it evaluates conduct against some absolute criteria and puts.

Performance

The word performance refers to the accomplishment of a given task measured against present standards of accuracy, completeness, cost and speed (Financial performance Analysis conceptual framework, 2012,)

Financial Performance

Is a general measure of an entity's overall financial health over a given period of time and can be used to compare similar entities across the same industry or to compare industries or sectors in aggregation.

2.4 Empirical review of literature

According to (Green Holme, (2008), the responsibility of the bank is not only to shareholders" value but to the government, clients, and staff and to the community at large. Ethical responsibility of banks is not preserved by limited liability from the reactions of their actions. The ethics perception of companies with regards to their records affects them positively or negatively considering their reputation. However, as the community faces conflicting issues as it evolves, dedication to ethical behavior might be examined.

Many scholars revealed strategic challenges faced by companies in this century (Dogarawa, 2004). They identified this initiative as a means of building and maintaining competitive advantage as a way of surviving in the global market leadership. In their study, they concluded that to succeed as a bank would depend on strategic leadership and flexibility through core competencies including human capital development, and efficient use of new technologies.

The study of (Dogarawa, 2004), provides a deeper background for most of the more contemporary theories in business ethics. The study made by (Frenkel, 2003), questions the value and the function of ethical theories and in so doing is very readable and through provoking. In combination with a reply by Tom Sorrell in a later issue of the same journal, this debate helps us to understand the potential and the limits of the theories.

Recently, however, several authors have noticed a renewed focus on organizational ethics, among them (Koontz, 2006)., a noted Harvard professor of business ethics. In her book, *Value Shift*, Paine explains that ethics has found its way back onto the agenda of organizational leaders.

(Trevino, Petrick, 2001), address the question of what it means to be an ethical leader. Featuring the results of a survey of employees it shows the importance of different dimensions of ethical leadership. A must-read“ for anyone hoping to develop a reputation for ethical leadership”.

In the empirical research, three scientific assumptions were set:

A1: Employee satisfaction has reduced due to higher demands on their productivity during the crisis, and therefore the loyalty of employees has statistically significantly decreased.

A2: During the crisis the attitudes of bank personnel have changed to the detriment of customers; bank employees transform increased pressure on their bank performance to their customers in the form of unfair sales, and the degree of decency to the customers has reduced. The number of employees who try to sell banking products for the highest prices has increased, and the number of sales clerks who will offer the right product to the client in the case of adverse selection has decreased.

A3: Clients of commercial banks in Slovakia feel there is little interest in solving their financial needs. The perceived level of interest in solving the financial needs of bank customers in Slovakia is lower than 20%.

business ethics is concerned with the study of business situations, activities, and making pertinent decisions where issues of right and wrong are addressed. It is often based on moral and social values which constitute social principles for doing business. (Bower, 2007) sees business ethics as an act of addressing the morality of economic system (the free market, communism, socialism) and the conduct of the organizations found within these systems, (Bower, 2007) further maintained that business ethics examined ethical principles and moral problems that can arise in a business environment (Uduma, 2000), contends that ethics revolve around normative behaviour of individuals; its concern includes the nature of ultimate value and the standards by which human actions can be judged “right and wrong”.

Igbandi and Oseyomon (2014), see business ethics as a code of moral principles and values that direct behaviour of an individual or a group in terms of what is right or wrong. These are established standards used to judge the rightness or wrongness of a business relative to others. (Hellriegel, 2008) observe that business ethics involves how business organizations incorporate core values such as: being honest, trust, respect and fairness into its policies, practices and decision making. It is in the light of the aforementioned that (Ferrel, 2008) noted that some factors must be considered when integrating ethics to business. They are: to survive business organization must earn a profit, if profits are realized through dishonest behaviour, could result to a bad corporate image to the organization; organizations especially financial institutions must balance their desire for profits against the need and desire of the society (Rossouw, 2004), contends that business ethics revolve around identifying and implementing standards of conduct that will mould employee demeanors and perceptions that conform to established standards in the organization. Therefore, firms should develop rules, as established code of conduct to guide organizational operations in their attempt to earn profits such that, it does not harm individuals or society as a whole.

2.5 Role of Ethics in Banking Institutions

Ontologism based on the concept of good as opposed to evil helps us define the banking business from the point of view of ethics. The idea of awareness or conscience of the need for banking products or services inevitably comes to mind. This simplified parallel leads us to the conclusion that full awareness of and the related ethics about the importance of banking products and services is imminent to all economies, regardless of their economic development.

taking in mind the negative effects of credit risks on the bank's operations, and the micro system's interest in the rational use of loans for the purpose of avoiding inflation trends, the bank should have a restrictive attitude towards loan applications that could be used to finance new sky investments, and thus avoid possible inflation tendencies (Watkins, 2011).

The theoretical assumption that banks with higher capitalization rates and a better liability structure can enter long-term credit arrangements with a higher risk level has been empirically proven. It stems from the above that each bank should respect the general and the specific principles in formulating its credit policy. Since banks are trying to optimize their micro economy, they perform a significant macroeconomic function through their activity.

The bank's non-objectivity is most evident when it comes to establishing accurate information about the character of the debtor. Based on its subjective evaluation, the bank makes conclusions about the debtor. This indicator is most obvious when it comes to personal loans, and less obvious when it comes to corporate loans (Sigurthorsson, 2012).

The analysis of every loan application requires one or several loans officers who have contacts with the client, one or several analysts who evaluate the client's financial abilities, a board for loan approval or a loan administrator who finally approves or rejects the loan request.

By protecting themselves, the banks also protect the efficiency of using the micro system's accumulation. In this way, the loss of banking and financial resources in the micro system is restricted and the selective and allocative functions of the total system are improved.

A number of companies on the loan market misrepresent their revenues in order to acquire funds and reduce their loan costs. Revenues are thus artificially increased and costs deflated. Such corporations have set their own benchmarks for reporting revenues to lenders and the public, resisting at the same time from generally accepted criteria for determining revenues (GAAP - Generally Accepted Accounting Principles). Therefore, loan officers must be very cautious since many clients may present misleading profit figures (Yeung, 2011).

Bank officers should be specifically focused on the financial statement.

It is generally recognized that banks, just like other financial organizations, are prone to manipulations with their financial statements at the end of a quarter or a fiscal year.

This "customized accounting" which serves to conceal true financial standing of a bank may seriously harm the financial system efficiency.

A bank is liable to run business books in compliance with the banking chart of accounts, preparation of bookkeeping documents, evaluation of assets and liabilities, drafting of financial statements in accordance with applicable regulations and professional standards (the Central bank may prescribe, for the purpose of public announcement, a type, form and content of statements, method and deadlines for their publication).

A bank must organize the internal audit which should conduct its activities in an independent and impartial manner, and contribute to the development of the bank's operations through its advisory services.

The internal audit of the bank's operations should conform to the operating principles and business ethics code pertaining to internal auditors. In its work, the internal audit should harmonize the methods of its work with the work of external auditor (Yeung, 2011).

The person in charge of internal audit tasks should not be involved in other activities within the bank. If the internal audit unveils any case of illegal operation and violation of the risk management rules in the course of its inspection of specific fields of bank operations, it must promptly inform the bank's management thereof. If it fails to do so, the bank is running the risk of becoming illiquid, insolvent and its operations insecure (Sigurthorsson, 2012).

In the United States, FDIC has an extensive authority to sanction a misuse in banks, should the officers use their executive positions to gain personal benefit. It may discharge the management of a bank if it finds that they have deliberately caused loss to the bank or it may prohibit a person to have any business relations with the bank if the bank's reputation is thus compromised.

It is interesting to note that the loan derivative market is subject to manipulations as well. It is assumed that some officers in charge of loan operations tend to disclose to dealers and brokers of securities, certain private information concerning the financial standing of the borrower. The dealers who obtained the information in this manner are in the position to enter into lucrative arrangements before such information becomes public. In practice, a lot of dealers and brokers disclose altered information so as to encourage the clients to purchase their securities.

It is only when valid information emerges on financial market that these clients realize they have been deceived. To prevent such manipulations two solutions are at hand (Cheng, 2010).

The first solution is that investment banks order a report on analysis of securities from an independent institution.

another solution refers to the establishment of an independent Business Ethics in Banking 179 body which would select the companies to render unbiased analyses of securities, chiefly aimed at providing small investors with an objective appraisal of securities issuers. The point of departure for more reliable information is an effective split of intermediary operations with securities and the sale from the securities analysis. This measure alone would ensure public confidence in dealers and brokers trustworthiness but also in the quality of investment banking. As a consequence of the major economic depression in 1929 and the ruin of many banks, Glass-teagall Law was endorsed in the US back in 1933.

The said law stipulates the so-called "tying arrangements" between commercial and investment banks and their clients. These arrangements facilitate commercial banks which grant loans to corporate clients to exert pressure on their clients, and make the loan conditional upon the purchase of securities that the department for warranting the value is trying to sell.

Such behavior appears as a burden to the client since it is imposed as prerequisite for having a loan granted (Rundle-Thiele, 2008).

The arrangement does not include advisory services as additional ones.

In some cases these services are extra charged, at the price which is often above market levels, or they turn to be completely unnecessary to the client.

Notwithstanding the Gramm-Leach-Bliley Law of 1999, providing for the abolition of restrictions imposed by the previous law, certain conditioning appeared on the market when it comes to granting of loans related to the sale of securities.

The new law allowed for commercial and investment institutions to purchase each other as well as other financial institutions. Banking business is attractive for illegal transactions only if the effectiveness of a controlling mechanism for a consistent conformity with the operating principles is missing.

Continuous monitoring is a significant activity for banking operations, since the very nature of this activity involves a rapid change along with innovations. In traditional banking activities this problem is clearly seen, since some sort of records is kept on transactions.

However, there is an obstacle in the e-banking domain, particularly in regard to detection of illegal money transfer from an account to a card with a deposit amount.

It is to be expected that a more extensive use of e-money will lead to an increasing misuse of ethics. Even though banks, financial companies and clients gain multiple benefits by using the e-

anking system, at the same time the application of e-banking jeopardizes the ethical domain, since it gives rise to increased cybercrime. Hackers usually disrupt the operation of information systems and transfer financial funds to their own accounts (Lages, 2012).

The most common targets of such criminals are ATMs. It is not to be neglected that banking technology is getting better, but hackers also develop their skills to steal funds from banks and thus undermine legitimate banking transactions.

One of the ways to fraudulently obtain money is stealth of personal data or identity. It involves a deliberate attempt at unauthorized acquisition of other people's personal data. This type of theft is possible to uncover only if individual users are wary and if they keep track of their accounts each month. Otherwise, this theft could be hardly noticed. This theft represents a major threat to banks, credit institutions and other financial companies which bear the brunt of the loss (Cheng, 2012).

In order to prevent the identity frauds, legislative institutions notify the clients that they safeguard the sources of private information. Bankers should provide more detailed instructions to clients to check the balance on their accounts at least once a month and to report immediately any observed irregularity. Owing to the introduction of e-banking services, clients can check their account balances on a daily basis. Electronic business is possible to apply only if a mechanism for securing financial and other transactions on the

Internet is developed. By using encryption systems and digital certificates it is possible to realize four basic functions of the transaction security, such as: confidentiality, authentication, integrity and incontestability. The efficiency of such measures should be proved by more extensive use of electronic money (Paulet, 2011).

The most important benefit of e-business is that financial flows assume different profile, whereas the banks move their desk operations to the clients' computers. Time will show whether we will reach statistical figures from the developed west where more than 80% of transactions are effected electronically.

A failure to comply with ethical principles results in increased costs and reduced competitive capacity of a business system, since it affects its reputation in business environment.

Any neglect of the ethics implies its misuse. Recent scandals in the corporate world compromise the opportune value of a comprehensive deregulation which took place in the banking sector and on the power supply markets in the late nineties. "Widespread corruption and unethical behaviors

are primarily seen as features of institutional fragility and a lack of democratic credentials, found in the developing world in particular." A syndrome of a weak state and fragility of its institutions could be the key reason for concern in further prevention of unethical behavior. Post-communist societies in transition are rich in examples of unethical behavior (Van Nimwegen, T., et al., 2004).

The implementation of institutional reforms makes it possible for the economies in transition to reduce unethical behavior to the lowest possible level.

In practice, more attention is paid to investigating the cause of impairment of ethical principles, particularly in the business world. An ethical principle is impaired if an individual undertakes the activities which do not conform to his/her standards, in order to achieve success.

In banking operations, the key cause of ethical principles' erosion lies in using illegal banking transactions for the purpose of acquiring wealth. All banks are obliged to take a proper care of who they work with and to proceed with all required measures for preventing such cases. Therefore, they are obliged to abide by international laws and codes. A growing concern due to the erosion of trust has prompted the governments of many countries to reconsider their approach to ethical codes. For example, the UK introduced the code of public conduct in 1994. Likewise, the ethical standards for bank officials should be clear.

Business ethics is an interdisciplinary academic field of study (De George, 1987), however this feature also makes it controversial. For this reason, there is no consensus among researchers as to the adaptation of the concept to organizational practices and the resolution of ethical dilemmas (Watkins, 2011).

Business ethics tries to find answers to such questions as what behaviors are acceptable or unacceptable for a good working life (Ferrell, 2008); (Sintonen & Takala, 2002) within the framework of a reciprocal relationship between ethical principles and organizations (De George, 1987). According to the definition of (Classon, 2006), business ethics is the pursuit of understanding what can be considered acceptable about the activities of organizations operating in a particular culture at a particular time.

6 Financial performance of banking institutions

In 2014, we saw the banking and financial services industry in the midst of a compliance crisis. Therefore, most banking institutions pursued a shift in focus from defensive compliance remediation to revenue growth and cost reduction. Some banks had to settle some of their mortgage-related cases, the fines for which were quite huge. Further, the banks sought to increase operational efficiency and thereby enhance their financial performance. For this, they simplified their operations and went on to even cut down on their branch network. According to research conducted by Deloitte, the industry closed down 1614 branches over 12 months ending in June 2014, which was the biggest downturn in over 2 decades.

Now, the US economy is in a much better form compared to 2014. The financial services sector has entered a new phase with a stronger focus on increasing profitability. In this post-crisis phase of improvement, banks and financial institutions are likely to focus on 7 areas in order to enhance growth and profitability. These are:

Achieving balance sheet efficiencies – Banks will have to revamp their deposits and assets mixes this year, so that they are in conformity with compliance regulations and at the same time do not compromise on increasing profitability. In order to retain deposits, banks will have to boost their customer relationship programs and increase cross-selling efforts. New rules regarding the Liquidity Coverage Ratio (LCR) and the Supplementary Leverage Ratio (SLR) which were finalized in 2014 will have to be complied with in this regard. In the case of assets, investments will have to be made keeping in mind the new rules of 2015 like the Net Stable funding ratio.

Driving Mergers and Acquisitions – Mergers and acquisitions (M & A) are likely to continue growing in 2015, the main driving factors being efficient and strong balance sheets, challenges to the growth of revenue, limitations to achieving cost efficiencies etc. Banks will have to focus more on adhering to the compliance regulations concerning M & A, especially in cases where the amount exceeds \$10 million or \$50 million, wherein the scrutiny will be stricter.

Pursuing growth – Since 2014, there have been many obstacles to growth like low demand for loan, especially mortgages. The competition has also been quite heavy especially for fee based

services like wealth management. This year, there will a stronger focus on growth. Banks will have to invest in customer analytics as well as digital technology in order to develop better cross-selling strategies and also generate more interest of the customers. But, underwriting standards should be complied with strictly. With regard to competitive advantage, establishing partnerships with non-banking technology firms could be beneficial.

Transforming payments – Banks are likely to play less of a role in the payments sector this year. They are likely to replace their traditional cards with the EMV standard of chip and PIN cards, which has already been done in many countries. According to a survey conducted by Deloitte, 86% of financial institutions are planning on issuing new cards in the next 2 years. Also, with the introduction of Apple Pay, contactless payments are also becoming quite popular. And as contactless payments become more accepted, banks will have to look for ways to distinguish their way of delivering customer experience.

Strengthening compliance management – In 2014, as mentioned before, banks and financial institutions had resorted to dealing with compliance pressure by strengthening internal control and resolving existing legal and regulatory issues. This year, as the compliance regulations have been further bolstered, banks need to integrate compliance and risk management fully into the culture of the banks rather than concentrating on specific processes. It should be enforced in the performance management systems as well, through employee training. New regulations like heightened risk governance expectations and the enhanced prudential supervision rule specifically require the banks to improve their risk capabilities.

Managing data and analytics – Since 2014, the efficiency of the data management processes followed in most of the banks had been found to be just about average. From a recent survey conducted by the Risk Management Association and Automated Financial Systems Inc. it was found that only 40% out of the 37 global financial institutions surveyed, felt the quality of their data to be above average or excellent. Banks now need to move toward a central Regulatory Management Office (RMO) in order to monitor the data management processes. Besides that, the Chief Data Officers should also extend their responsibilities and help in collaborating with new business lines and functional groups, which will help in value creation.

Enhancing cyber security – In 2014, there was a huge rise in the number and severity of cyber-attacks and these are only likely to increase further this year. To improve cyber security efforts, banks are likely to add advanced features to their existing systems. New methods like war gaming, attracting specialized talent etc. will prove to be quite helpful. Enhancing the existing intelligence systems to detect new threats or attacks on a regular basis could also be very helpful.

As the economy improves, banks need to invest more into technology for most of their concerns whether it is compliance or customer relations or cyber security. Improving data analytical capabilities will ensure that the ultimate goal of growth and profitability is achieved. Moreover, with ethics and risk management embedded into the organizational culture, it further assures improved profitability.

7 Strategies to improve on business ethics on financial Performance of Banking institutions

Alternatively, financial institutions could see the environment as an opportunity to improve the overall quality of their business, for instance by:

- Improving the quality of their loan book by managing risks such as environmental liability;
- Improving the quality of their investment decisions by including environmental factors;
- Improving the quality of advice offered to clients, e.g. in investment research.

This opportunity represents a “broad” approach, cutting across sectors, which could in theory have far reaching consequences for many industrial sectors. However, the immediate impact on the environment is harder to quantify as it will depend on the extent to which such actions change the behaviour of the businesses and other economic entities involved. Initially, it may be that the effect is to remove an obstacle to environmentally responsible behaviour by companies, who appear to find the financial markets ignoring and possibly unsympathetic to the actions many progressive companies are taking. Longer term, as companies’ see that the financial markets are prepared to recognise and reward environmentally superior behaviour the effects could be substantial (Blundell-Wignall, 2010).

A key factor in such an approach is whether environmentally responsible behaviour does contribute to superior financial performance (corporate profitability, credit worthiness and

investment returns), and thus is a matter worthy of the attention of financial institutions. This is a matter of ongoing debate. However, discussions with commercial banks indicated that most who had considered this subject need little convincing of the relevance of environmental issues to their lending activities, having seen directly the consequences of contaminated land and environmental damage. (It should be noted that lending banks are concerned about the downside risk created by environmental factors and less worried about the impact on profitability and the upside potential of environmental considerations, which is a more controversial area) (Atkinson, 2010).

In contrast, the investment banking and asset management sectors remain more sceptical about the relevance of environmental considerations to the performance of the typically larger companies they invest in. Some still see it as having negative implications (i.e. increased costs), whereas others see it of marginal relevance. However, increasing evidence is emerging to suggest that superior environmental performance has a positive impact on financial performance, although, as discussed in Chapter Three, this has yet to be widely accepted.

Ten policy options are recommended for consideration by the Commission. The options have been chosen on the basis of the potential to have a major long term environmental benefit. In addition many of the policy options chosen do not involve the expenditure of substantial public funds or impose major burdens on industry. Indeed, one of their key aspects is that they are likely to improve the functioning of existing policy measures. Basel Committee on Banking Supervision (2010).

The Commission should take a lead role in relevant to the financial markets. This could be done:

- Through standardisation and improvement of information currently being collected and made available by environmental regulators.

- Through the development of environmental reporting standards targeted at the financial markets.

The Commission should also consider taking action to such actions would create substantial demand based incentives for financial institutions to develop environmental expertise and products. Actions include:

as part of its involvement in consumer investment protection, requiring financial institutions to ask investors if they are concerned about how their money is invested environmentally or ethically.

Developing as part of its eco-labelling scheme, a label for environmentally responsible investments. The Commission should encourage the financial institutions, through:

Supporting information dissemination on best practice for financial institutions the extension of the EMAS scheme to include financial institutions. This would require a greater focus on impacts of products.

More formal control through the financial regulatory mechanism is possible, for instance by making environmental management mandatory, by requiring disclosure of exposure to high risk sectors, by looking at the potential for voluntary investment agreements, and by looking at the role of the European Central Bank. However, they are probably not a priority at present.

The Commission should consider ways to encourage for business and consumers. One cost effective mechanism for the Commission would be: To support awards for innovation in environmental finance. This would provide an incentive for companies, and would enable publicity and dissemination (Gibbons, 2011).

The Commission could also consider the use of direct financial support in the product development stage of new environmental financial products and initiatives, recognizing that the cost and risks of product analysis and development is a major obstacle to their deployment, although this may be best left to Member States.

The Commission is also advised to consider ways to the environmental business sector:

By investigating the potential role for public sector investment banks to take the lead in encouraging private sector finance to support the sector.

By improving the quality of information on the Commission's environmental support activities, and using financial institutions to disseminate it more widely 10 by involving the financial markets more closely in these support activities, thus ensuring that the recipients are aware of broader financing issues and the financial sector is able to step in as public sector support ends.

taken together these policy actions could help actively involve financial institutions in achieving sustainable development and could be a powerful tool in achieving the objectives of the (Fifth Action Programme. Maddern, 2007).

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter represents procedures or methods that were to be employed in data collection and analysis; it describes the research design, study population, sample size, sample design, sample procedures, data collection tools and analysis.

3.1 Research Design

The researcher used a descriptive basing on the use of qualitative and quantitative approaches that were to be adopted to establish the relationship between Business ethics and financial performance of banking institutions in Butaleja district (Amin, 2005). This a plan that specifies how data was to be collected and analyzed, the research employed purposive sampling where the study was conducted at an appointment time and specific respondents was interviewed in order to get the specific needed information out of them (Kothari, 2014).

3.2 Population of the Study

The research will be constituted from the study population of 72 comprising of clients of banking institutions in Butaleja district and these will include the managers, tellers and clients who are part of the banking institutions.

3.3 Sample Size

This refers to the number of respondent to who you obtain the required information of the study. The sampling frame work will be drawn from the list of clients of banking institution and at random sample where all the members of the study population will have an equal and independent chance of selection in a sample. For example 72 respondents will be chosen to represent the total population and this comprised of 60 as the sample size; 10 managers, 12 supervisors, 16 tellers and 22 clients.

by using Solver's Formula.

$$n = \frac{N}{1+N(e)^2}$$

Where;

- n = the required sample size
- N = the known population size
- e = the level of significance, which is fixed at 0.05

$$n = \frac{72}{1 + 72(0.05)^2}$$

$$n = \frac{72}{1 + 72 (0.0025)}$$

$$n = \frac{72}{1 + 0.195}$$

$$n = \frac{72}{1.195}$$

$$n = 60$$

Table 1 . 3.1 showing sample size

Category of respondents	Population size	Sample
Managers	17	10
Supervisors	25	12
Tellers	30	16
Clients	17	22
Total	72	60

Source: Preliminary Data (Research 2019)

3.4 Data Collection Methods

According to (Roston, 2001), the researcher will use a number of instruments to collect data from the respondents.

4.1 Questionnaire Method

This method is convenient and easy to tabulate and the answers can be expected within short time, this involved oral written questionnaires for the respondents to read and interpret what is expected of them (Williams, 2003).

4.2 Interview Method

This method involved direct between the researcher and the respondents. It involves face to face interaction between the researcher and the interviewer. In this way the researcher asks questions and the answers are provided immediately by the targeted respondents.

3.5 Measurement of Variables

3.5.1 Validity of Instruments

Validity is the efficiency or the degree to which a method, a test or a research tool actually measures what is supposed to be measured. It refers to the accuracy of the research data. For this case, the validity of the questionnaires was tested using the Content Validity Index test (CVI). (Almut, 2008). This involved item analysis to be carried out by the supervisors and an expert who was knowledgeable about the study. This process involved examining each item in the questionnaire to establish whether the items brought out were the ones expected. Item analysis was conducted using the scale that runs from Relevant (R), Neutral (N), to Irrelevant (I). The instrument is refined based on experts' advice. The following formula will be used to test validity index.

$$CVI = \frac{\text{No. of items regarded relevant by judges}}{\text{Total No. of items}}$$

$$52/60 \times 100 \\ = 87 \%$$

3.5.2 Reliability of Instruments

Reliability means the degree of consistency of the items, the instruments or the extent to which a test, a method, or a tool gives consistent results across a range of settings or when it is administered to the same group on different occasions.

5.3 Data Validity

Before the final data was analyzed, the collected data was re-tested as part of the pilot study to ensure that the right data was made available. Any other missing data was corrected and made ready for final analysis.

5.6 Data Analysis

After collecting the question, data is analyzed either manually or computerized both qualitative and quantitative form primary recorded data and interview guides for the quantitative data, computer is employed to analyze data by use of graphs, frequencies and cross tabulation (Yamane, 1967),

5.7 Source of Data

Primary data and secondary data. Primary data will be got from the field and the secondary data was got from text books, novels, magazines among others (Roston, 2001).

5.8 Anticipated limitations of the study

Generally, time was a limiting factor. Being a partial of the entire programme, the time allocated was too little to allow an exhaustive investigation.

Failure to trace respondents, this was another problem in that clients were from different areas.

Research in educational institutions was usually poorly funded and this study was exceptional. However the researcher employed the following measures to overcome the above limitations and hence, came out with a successful report.

5.9 Ethical considerations

The following activities were implemented by the researcher to ensure confidentiality of the information provided by the respondents and to ascertain the practice of ethics in this study. (Agha, 2010),

he selected business ethics and financial performance respondents were coded instead of reflecting the names.

oliciting permission was done through a written request to the concerned business ethics owners and managers included in the study.

Respondents were requested to sign in the informed consent form

The authors were acknowledged and quoted in this study.

The findings of the study were presented in a generalized manner.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter presents the findings of the study. The chapter highlights the background information of the respondents of Business ethics and Financial Performance of Banking institutions in Butaleja District. Discussion and analysis of the different responses to some key questions is also done in this chapter following the research objectives given below;

To determine the role of business ethics on financial performance of banking institutions in Butaleja district, to determine the effect of financial performance of banking institutions in Butaleja district and to identify the strategies to improve on business ethics on financial Performance of Banking Institutions in Butaleja District?

4.1 Response rate

A total of 60 respondents were sampled of questionnaires administered to them in Butaleja District. However by the end of the data collection process, 52 questionnaires were returned posing a respondent rate of 87% and non-respondent rate of 13% as shown in the table below. It implied that more than half the target population participated in the process giving high level of precision to the findings of the study as shown in the table.

Table 2: 4.1 response rate

Questionnaires distributed	Frequency	Percentage
Respondents	52	87
Non response	8	13
Total	60	100

Source: Primary Data 2019

The feedback received from the pilot study showed that more respondents took time to fill in the questionnaires and the discrepancy of 13% could be caused by the respondents who failed to get time to fill the questionnaires.

.1 Back Ground Information of Respondents

This section shows the gender of the respondents, age bracket, and highest level of education attained. The respondents which were selected for this study were 52 respondents

Gender of Respondents

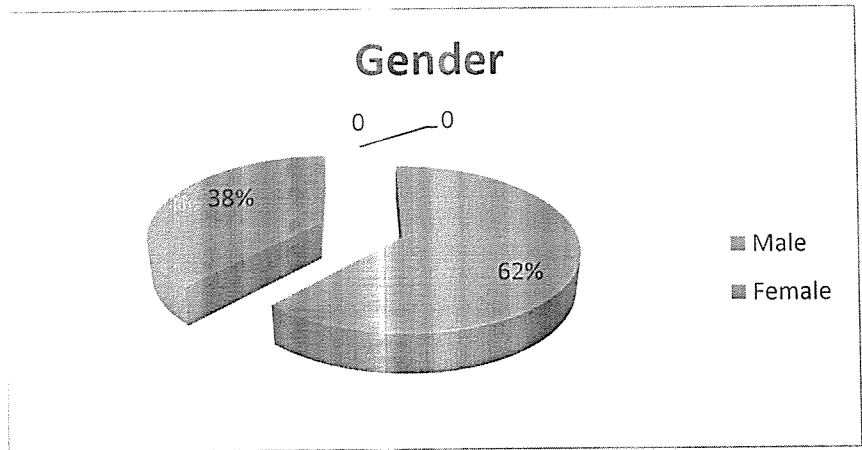
The study considered both male and females, therefore the respondents were asked to state their gender and the following data was obtained.

Table 3: 4.1: Gender of respondents

Gender	Frequency	Percentage
Male	32	62%
Female	20	38
Total	52	100

Source: Primary Data 2019

Figure 2: 4.1 shows Gender of respondents



Source: Researcher Field Data, 2019

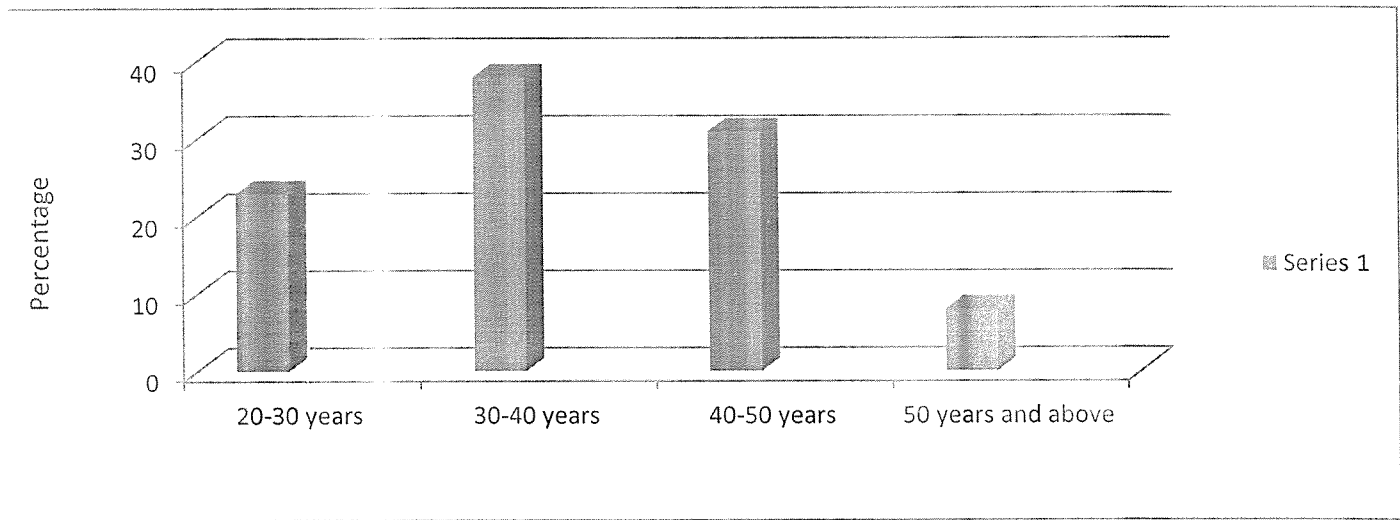
Table and Figure 4.1 shows that, it can be noted that Banking Institutions in in Butaleja District employs both male and female employees though the majority are male being represented by 62 percent while male are represented by 38 percent. This implies that Banking Institutions in Butaleja District employs more male than female although there is a difference of 24%. It is an indication that Banking Institutions in Butaleja District is not biased in employing.

Table 4: 4.2: Respondents by Age

Response	Frequency	Percentage
20-30 years	12	23
30-40years	20	38
40-50years	16	31
50 years and Above	04	8
Total	52	100

Source: Researcher Field Data, 2019

Figure 3: 4.2 showing respondents by age



Source: Researcher Field Data, 2019

Table and Figure 4.2 as can be seen from above table, 23% (12) were in the age range of 20-30 years, 38% (20) were in the age range of 30-40 years, 31% (16) were in the age range of 40- 50 years and 8(04) were in the age of 50 and above.

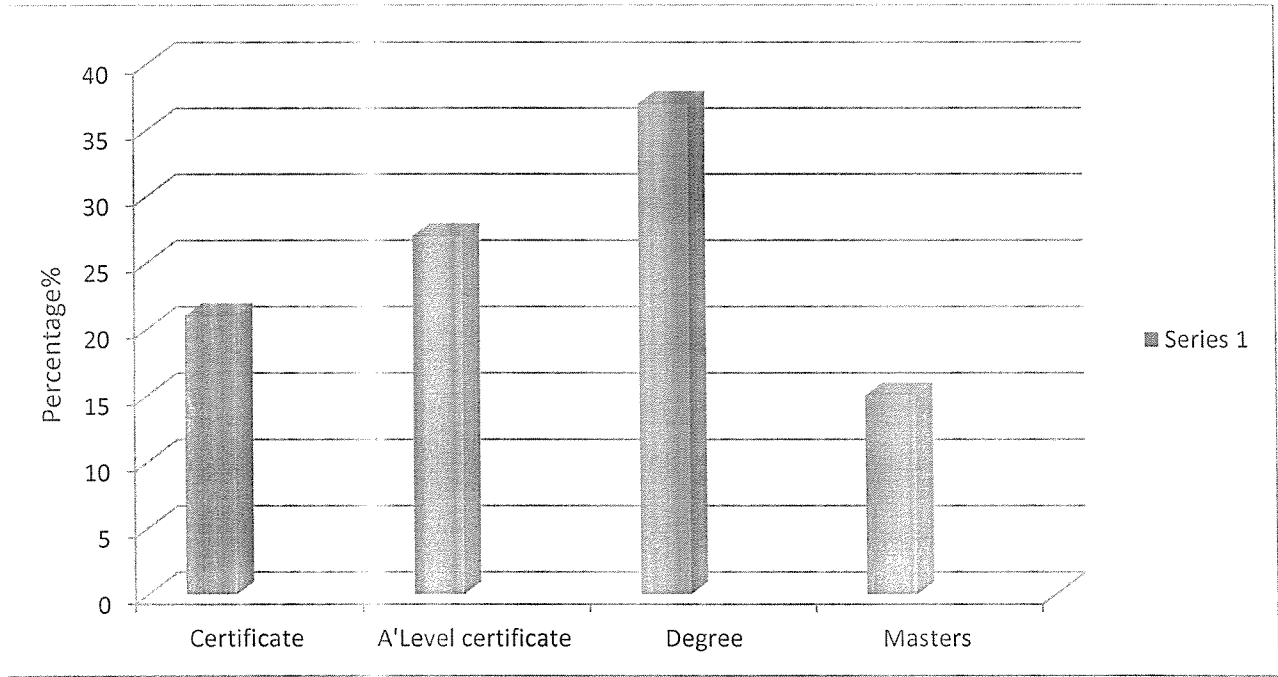
From the above findings therefore, the researcher established that there were many more respondents in the age of 30-40 years, 12 percent (38) who took part in the study. The least group of respondents however being in the age range of 50 years and above, which was only 8% (04) of the total sample population, this therefore means adults people are more flexible compared to those who are 50 and above and also the district employs more workers who are below 50 years of age.

Table 5: 4.3: Showing highest level of education attained

Response	Frequency	Percentage (%)
Certificate	11	21
A'level certificate	14	27
Degree	19	37
Masters	8	15
Total	52	100

Source: Researcher Field Data, 2019

Figure 4: 4.3 Showing highest level of education attained



Source: Researcher Field Data, 2019

Table and Figure 4.3 In the above Table shows 21% of the respondents who work with Banking Institutions in Kampala District were certificate holders followed by those with A' level certificate with 27%, 37% of the respondents were degree holders and finally 15% who were master holder. This means that considers education and experience highly when selecting its employees to ensure quality work. Therefore, management should uphold the present standard.

.2.3 Marital status of the respondents

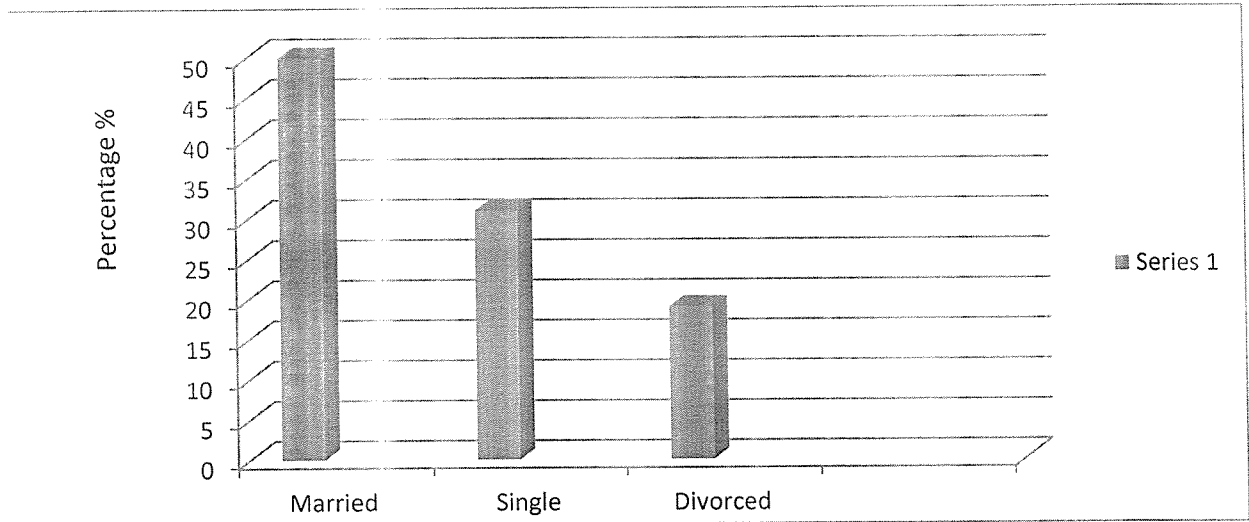
The marital status of the respondents was also covered and analyzed to assess their views in relation to the study variables of Business Ethics and Financial Performance of Banking institutions in Butaleja District as shown below.

Table 6: 4.4 Marital status of the respondents

Marital status	Frequency	Percentage %
Married	26	50
Single	16	31
Divorced	10	19
Total	52	100

Source: Researcher Field Data, 2018

Figure 5: 4.4 shows marital status of the respondents



Source: Researcher Field Data, 2019

Table and Figure 4.4 as seen above, majority of the study respondents constituting 50% were married and these were followed by respondents who were singles as revealed by 31% of the respondents then 19% of the respondents who were divorced. The study established that majority of the respondents were married.

.2 The role of business ethics on financial performance of banking institutions in Butaleja district

The first research objective was to determine the role of business ethics on financial performance of banking institutions in Butaleja district.

The data collected based on the four likert scale is presented and interpreted as provided below.

Table 7:4.5 Shows the role of business ethics on financial performance of banking institutions in Butaleja district.

Role of business ethics on financial performance of banking institutions	Strongly Agree		Agree		Disagree		Strongly Disagree		Total	
	f	%	f	%	f	%	f	%	f	%
Am always welcomed by bank employees.	12	23	14	27	14	27	12	23	52	100
Am always respected by bank employees.	27	52	10	19	10	19	5	10	52	100
As a customer am always consulted by bank officials.	18	34	14	18	11	21	9	17	52	100
Am always confident because I feel my money is safe while in the bank.	28	54	12	23	2	4	10	19	52	100
I have never complained about bad behaviours of bank officials.	18	35	10	19	12	23	12	23	52	100

Source: Researcher Field Data, 2019

Table 4 above present's findings on Table 4 above presents findings on the role of business ethics on financial performance of banking institutions in Butaleja district.

The table presents information regarding the role of business ethics on financial performance of banking institutions in Butaleja district. The data collected was based on the Likert scale of strongly agreed, agreed, disagreed and strongly disagreed. The table presented the role of business ethics on financial performance of banking institutions in Butaleja district.

Concerning that, am always welcomed by bank employees according to the findings the 23% of the respondents strongly agreed, 27% agreed while 27% of the respondents disagreed while 23% of the respondents strongly disagreed with the findings of the study.

The findings indicated that am always respected by bank employees as indicated by responses 2% of the respondents who strongly agreed, 19% agreed while 19% disagreed and 10% of the respondents strongly disagreed.

The findings show that as a customer is always consulted by bank officials as indicated by responses 34% of the respondents strongly agreed, 18% agreed with the findings, 21% disagreed while 17% of the respondents strongly disagreed.

The findings indicated that the am always confident because I feel my money is safe while in the bank.as indicated by responses 18(35%) of the respondents who strongly agreed, 10(19%) of the respondents, 12(23%) of the respondents disagreed while 12 (23%) of the respondents strongly disagreed.

The role of business ethics on financial performance of banking institutions in Butaleja district indicated that there is always confident of the customer with safety that their money is safely kept by the bank with the percentage of 54% and customers are always respected by bank's employees with the percentage of 52% who strongly agreed.

.3 To determine the effect of financial performance of banking institutions in Butaleja district.

The second research objective to determine the effect of financial performance of banking institutions in Butaleja district. The study was presented based on the findings from the field as presented in the values assessed below.

Table 8: 4.6Effect of financial performance of banking institutions in Butaleja district

Effect of financial performance of banking institutions	Strongly Agree		Agree		Disagree		Strongly Disagree		Total	
	f	%	f	%	f	%	f	%	f	%
Increased profits in banking institutions leads to better performance of banks.	30	58	9	17	7	13	6	12	52	100
Increased number of customers leads to better financial performance.	26	50	9	17	5	10	12	23	52	100
How have tax policies been useful to the business?	20	38	18	35	8	15	6	12	52	100
Are the customers aware of the tax policies?	18	35	10	19	12	23	12	23	52	100
Has the business ever experienced tax problems?	30	58	9	17	7	13	6	12	52	100

Source: Researcher Field Data, 2019

The study findings in table 5 provided that the Effect of financial performance of banking institutions in Butaleja district the findings in the table provided that the Effect of financial performance of banking institutions is prevailing.

The findings indicated that Increased profits in banking institutions leads to better performance of banks as indicated by responses 30(58%) of the respondents strongly agreed while 9(17%) disagreed while 7(13%) of the respondents of disagreed while 6(12%) of the respondents strongly agreed on the study provided.

The study findings also indicated Increased number of customers leads to better financial performance as indicated by responses 26(50%) of the respondents who strongly agreed while 9(17%) of the respondents, 5(10%) of the respondents while 12(23%) of the respondents who strongly disagreed.

The findings revealed that how have tax policies been useful to the business as indicated by responses 20(38%) of the respondents strongly agreed, 18(35%) of the respondents agreed while 13(15%) and 6(12%) disagreed and strongly disagreed respectively.

The findings revealed that, are the customers aware of the tax policies as indicated by responses 18(35%) of the respondents who strongly agreed, 19% agreed while 23% disagreed while 23% strongly disagreed in that regard.

The findings revealed that, has the business ever experienced tax problems as indicated by responses 30(58%) of the respondents who strongly agreed, 9(17%) agreed while 7(13%) disagreed while 6(12%).

1.4 To identify the strategies to improve on business ethics on financial Performance of Banking Institutions in Butaleja District.

The third research objective was to identify the strategies to improve on business ethics on financial Performance of Banking Institutions in Butaleja District.

The data collected from the field presents findings that can be interpreted as follows.

Table 9:4.7 Shows to identify the strategies to improve on business ethics on financial performance of Banking Institutions in Butaleja District?

Strategies to improve on business ethics on financial performance of Banking institutions	Strongly Agree		Agree		Disagree		Strongly Disagree		Total	
	f	%	f	%	f	%	f	%	f	%
Having increased numbers of customers leads to improved financial performance of banking institutions.	30	58	9	17	7	13	6	12	52	100
Referring to customers leads to improved financial performance of banking institutions.	26	50	9	17	5	10	12	23	52	100
Good customer care leads to improved financial performance of banking institutions.	26	50	9	17	5	10	12	23	52	100
Well qualified employees of banking institutions lead to improved performance of banking institutions.	28	54	12	23	2	4	10	19	52	100
Quick payment of loans leads to improved performance in banking institutions.	27	52	10	19	10	19	5	10	52	100

Source: Researcher Field Data, 2019

The study findings on the strategies to improve on business ethics on financial Performance of Banking institutions in Butaleja District.

The study findings revealed having increased numbers of customers leads to improved financial performance of banking institutions as indicated by responses 30(58%) of the respondents strongly agreed, 9(17%) of the respondents agreed while 7(13%) of the respondents disagreed while 5(12%) of the respondents strongly agreed with the findings.

The study findings indicated offering to customers leads to improved financial performance of banking institutions. The result revealed that 26(50%) of the respondents strongly agreed, 9(17%) of the respondents agreed while 5(10%) disagreed while 12(23%) of the respondents strongly disagreed according to the respondents.

The study findings revealed that there is good customer care leads to improved financial performance of banking institutions which indicated 26(50%) of the respondents strongly agreed, 9(17%) of the respondents agreed, 5(10%) of the respondents who disagreed and finally 12(23%) who strongly disagreed.

The findings on well qualified employees of banking institutions lead to improved performance of banking institutions as indicated by the responses 28 (54%) of the respondents strongly agreed while 12(23%) of the respondents agreed while 2(4%) disagreed and 10(19%) strongly disagreed.

The study findings also revealed Quick payment of loans leads to improved performance in banking institutions as indicated by responses 27(52%) of the respondents strongly agreed, 10(19%) of the respondents agreed while 10(19%) disagreed and 5(10%) strongly disagreed.

The summary findings indicated that good strategies to improve on business ethics on financial Performance of Banking Institutions have increased numbers of customers with the percentage of 58 which in return led to improved financial performance of banking institutions as well as qualified employees with the percentage of 54%

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This concluding chapter of the dissertation presented the key findings of the research based on the discussions and interpretations on both the surveys and the management interviews. Previous chapters have detailed the research question, extant literature, research methods, results, and discussions. While the linkage of the results and academic literature were discussed in the previous chapter, this chapter focuses on some limitations to the research and further nuances that have to be studied and addressed (Aphaxard, 2000). Despite these limitations, the conclusions from this research are sufficiently robust to draw some strong lessons for the guidance of management involved in these projects and these implications are also discussed in this chapter. It also presents recommendations for further research.

5.1 Summary of findings

Objective one

The role of business ethics on financial performance of banking institutions in Butaleja district.

The findings indicated that a customer is always confident because customers feel that there is safety of the clients' money in the bank and 54% strongly agreed and 52% strongly agreed that a customer is always respected by the employee's according to the business ethics that a customer is our boss thus a bank is liable to run business books in compliance with the banking chart of accounts, preparation of bookkeeping documents, evaluation of assets and liabilities, drafting of financial statements in accordance with applicable regulations and professional standards (the Central Bank may prescribe, for the purpose of public announcement, a type, form and content of statements, method and deadlines for their publication).

A bank must organize the internal audit which should conduct its activities in an independent and impartial manner, and contribute to the development of the bank's operations through its advisory services.

The internal audit of the bank's operations should conform to the operating principles and business ethics code pertaining to internal auditors. In its work, the internal audit should harmonize the methods of its work with the work of external auditors

Objective two

To determine the effect of financial performance of banking institutions in Butaleja district.

Though there are increased profits in banking institutions leads to better performance of banks with the percentage of 58 who strongly agreed the effect of financial performance of banking institutions have recorded series of ethical behavioral actions like courteous behaviour, with the percentage of 58% who strongly agreed that illegal charges, poor dressing code, unauthorized debit and armed robbery operations that were masterminded either by a staff or the branch manager of the bank as an accomplice of the crime.

Moreover, with ethics and risk management embedded into the organizational culture, it further assures improved profitability

Objective three

To identify the strategies to improve on business ethics on financial Performance of Banking Institutions in Butaleja District?

The summary findings indicated that good strategies to improve on business ethics on financial Performance of Banking Institutions have increased numbers of customers with the percentage of 58 which in return led to improved financial performance of banking institutions as well as qualified employees with the percentage of 54%

The Commission should also consider taking action to such actions would create substantial demand based incentives for financial institutions to develop environmental expertise and products. Actions include:

As part of its involvement in consumer investment protection, requiring financial institutions to ask investors if they are concerned about how their money is invested environmentally or ethically.

by improving the quality of information on the Commission's environmental support activities, and using financial institutions to disseminate it more widely 10 by involving the financial markets more closely in these support activities, thus ensuring that the recipients are aware of broader financing issues and the financial sector is able to step in as public sector support ends. Taken together these policy actions could help actively involve financial institutions in achieving sustainable development and could be a powerful tool in achieving the objectives of the (Fifth Action Programme.

1.2 Conclusion

In accordance with the second objective of the study which was to determine the effect of financial performance of banking institutions in Butaleja district, the researcher concluded that there is positive impact in the financial performance of banking institutions as increased profits in banking institutions leads to better performance of banks which in turn effect of financial performance of banking institutions have recorded series of ethical behavioral actions like courteous behavior. The analysis made revealed that a customer is always confident because customers feel that there is safety of the clients' money in the bank.

The work sought to find out the impact of business ethics on financial performance. The objectives of the research included the business practices at some selected banks and how it impacts on the performance of the banks. Bank managers operate in a complex environment. They are affected by and to some extent, influence by the environment. Managers of banks operate in a pluralistic society in which many organize groups represent various interests. However, there is now a general recognition that the responsibility of business goes beyond profit maximization.

Portions of workers of the bank also believe that there must be a well-structured orientation and reorientation for all staff of the bank in order to instill strongly in them the ethical beliefs of the bank. Also motivating incentive packages must be awarded to workers who are seen as operating ethically so that it can inspire others to do same.

3 Recommendations

In order to maintain positive impact business ethics and financial performance of banking institutions in Butaleja District.

Some recommendations that were suggested by the researcher include:

Discussion of ethical issues in staff meetings should be practiced in the various banks. When this is done, the staff or workers of the bank are generally abreast with the ethical standards needed by the bank and will adhere to it. The tendency to forget about the standards is there so constant reminders thorough staff meetings will do the workers a lot of good.

From the research, most of the staff believes that the banks do not have a dedicated person or department to oversee ethical issues. Since the work has proven that ethics have a positive impact on the performance of the banks in terms of achieving its goals, it is suggested that a dedicated person or department to take charge and facilitate the ethical related issues in the bank to further boost the banks performance in achieving its goals.

Overall, ethical standards must be upheld since it plays a major role in the bank achieving its goals and aims. The work has proven that that ethics impact positively 58 on the performance of the bank in terms of achieving its goals. Therefore the banks must take a critical look at ethics in order to ensure workers in general, that is from management to the lowest rank should conform to the ethical standards of the bank.

The compliance dimension in the ethical practice of the bank's is the highest contributor to the performance of the bank in terms of achieving its goals. It is therefore recommended that, there should be an improvement in the items that forms that dimension. This will ensure greater contribution to the bank achieving its performance goals.

However all other dimensions must be improved since they contribute to the performance of the banks with respect to achieving its goals? The dimensions are honesty and integrity, social responsibility and transparency.

The banks should undertake self-assessment of their compliance to the code of ethics periodically and in order to achieve honest and complete answers to these questions, the banks

ould arrange for their own assessments to be contributed to and challenged by key stakeholders or partners (for example, unions , service users) and regulators.

5.4 Areas for Further Research

Choosing the right the right strategies to improve on business ethics on financial Performance of Banking Institutions in Butaleja District indicated that good strategies to improve on business ethics on financial Performance of Banking Institutions will increase numbers of customers with which in return leads to improved financial performance of banking institutions.

This is a very important aspect for the employer to consider. The researcher was not satisfactorily able to make a thorough study on how to choose the right tool for improving employee aid therefore.

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APPENDICES
APPENDIX: I
QUESTIONNAIRE FOR BUSINESS PROPRIETORS

Dear respondent,

Babirye Fatuma Reg No. 1153-05014-02462 a student of Kampala International University undertaking a Bachelor's Degree of Business Administration. Currently am carrying out a research study on Business Ethics and Financial Performance of Banking Institutions in Butaleja District as part of the requirements for a ward of Bachelor's Degree of Business Administration. This questionnaire is therefore intended to seek information on the above subject matter. The information is purely for academic purposes and all the answers will be handled with utmost confidentiality. I therefore humbly request that you complete this questionnaire correctly in the spaces provided or options given. (Please, tick the appropriate answers where options are given).

PART A

GENERAL INFORMATION

SECTION A: Background Information (Tick the box applicable)

This presents the general characteristic of the respondents, these includes sex, age of respondents, educational level and position in the society.

Gender	
Male	<input type="checkbox"/>
Female	<input type="checkbox"/>
Age	
20-30 years	<input type="checkbox"/>
30-40 years	<input type="checkbox"/>
40-50 years	<input type="checkbox"/>
50 & above years	<input type="checkbox"/>

Qualification academically

- Certificate ☐
- Diploma ☐
- Degree ☐
- Masters ☐
- None ☐

4. Marital status

- Single ☐
- Married ☐
- Separated / divorced ☐

SECTION B: Fill in the most appropriate answer according to you.

Evaluate the following statement by circling the appropriate response basing on the scale below.

Please do not leave any item unanswered.

Code	1	2	3	4	5					
Status	Strongly disagree	Disagree	Not sure	Agree	Strongly agree	1	2	3	4	5
A	Role of business ethics on financial performance banking institutions									
1.	Am always welcomed by bank employees.									
2.	Am always respected by bank employees.									
3.	Am a customer am always consulted by bank officials.									
4.	Am always confident because I feel my money is safe while in the bank.									
5.	I have never complained about bad behaviours of bank officials.									

SECTION C: FINANCIAL PERFORMANCE OF BANKING INSTITUTIONS

Evaluate the following statement by circling the appropriate response basing on the scale below.
Please do not leave any item unanswered.

Code	1	2	3	4	5					
Status	Strongly disagree	Disagree	Not sure	Agree	Strongly agree	1	2	3	4	5
#										
A	Effects of financial performance of banking institutions									
1.	Increased profits in banking institutions lead to better performance of banks.									
2.	Increased number of customers leads to better financial performance.									
3.	How have tax policies useful to the business.									
4.	Are the customers aware of the tax policies?									
5.	Has the business ever experienced tax problems?									

SECTION D: RELATIONSHIP

Evaluate the following statement by circling the appropriate response basing on the scale below.

Please do not leave any item unanswered.

Code	1	2	3	4	5					
Status	Strongly disagree	Disagree	Not sure	Agree	Strongly agree	1	2	3	4	5
#										
A	Strategies to improve on business ethics on financial performance of banking institutions									
1.	Having increased numbers of customers leads to improved financial performance of banking institutions.									
2.	Offering to customers leads to improved financial performance of banking institutions.									
3.	Good customer care leads to improved financial performance of banking institutions.									
4.	Well qualified employees of banking institutions lead to improved performance of banking institutions.									
5.	Quick payment of loans leads to improved performance in banking institutions.									

THANK YOU VERY MUCH FOR THIS INFORMATION AND FOR YOUR TIME.
MAY GOD BLESS YOU.

APPENDIX II: WORK PLAN AND TIMEFRAME

Activity	Duration (days/weeks/months)	Responsible
Locate Respondents	Before 15 th June 2018	Researcher
Designing Pretesting data collection tools	Before 22 nd June	Researcher
Data Collection	Before 8 th July	Researcher
Data Coding	Before 15 th July	Researcher
Data interpretation and Reporting	Before 5 th August	Researcher
		Researcher

***THANK YOU VERY MUCH FOR THIS INFORMATION AND FOR YOUR TIME.
MAY GOD BLESS YOU.***

APPENDIX III: BUDGET

Item	Item	Item	Item
Subsistence Allowance	3 months	50,000	150,000
Travel (Vehicle Hire)	3 months	100,000	300,000
Data Analysis	1	50,000	50,000
Secretarial Services (Processing the research instruments and reports)	1	50,000	50,000
Photocopying	1	20,000	20,000
	1	10,000	10,000
TOTAL		280,000	580,000

*THANK YOU VERY MUCH FOR THIS INFORMATION AND FOR YOUR TIME.
MAY GOD BLESS YOU.*

PHONE'S LINE: 0772351144
DEPUTY CFO: 0772867194
ACSIMILE:
mail: butaleja_district@yahoo.com.



BUTALEJA DISTRICT LOCAL GOVERNMENT
OFFICE OF THE
CHIEF FINANCE OFFICER
BUTALEJA DISTRICT
P.O.BOX 1, BUTALEJA.

Ref: CR/160/1

20th February 2018

The Head of Department
Accounting and Finance
Kampala International University
P.O. Box 20000
Kampala

RE: RECOMMENDATION FOR MS. BABIRYE FATUMA

This serves to inform you that the above-mentioned has successfully completed her Research.

Ms. Babirye Fatuma was attached to the Finance Department where she was equipped with all the necessary hands on knowledge and skills.

While with us, she was found diligent at work, time keeping and found complete if she can maintain these competencies.

The purpose of this letter is to inform you that Ms. Babirye Fatuma has successfully completed her research and forwarded to your office for further action.

Any assistance rendered to her shall be of great help.

Kawere Thomas

For: CHIEF FINANCE OFFICER, BUTALEJA



copy to: District Chairperson, Butaleja
Resident District Commissioner, Butaleja
File

MO'S LINE: 0788101147
DEPUTY CAO: 0772688984
S: 0774525550

CSIMILE:
mail: butaleja_district@yahoo.com.
ANY CORRESPONDENCE ON THIS SUBJECT,

THE REPUBLIC OF UGANDA

BUTALEJA DISTRICT LOCAL GOVERNMENT
OFFICE OF THE
CHIEF ADMINISTRATIVE OFFICER
BUTALEJA DISTRICT
P.O.BOX 1, BUTALEJA.

Ref: CR/167/1/1

16th July 2018

The Head of Department
Accounting and Finance
Kampala International University
P.O. Box 20000
Kampala

RE: RESEARCH PLACEMENT FOR MS. BABIRYE FATUMA

I am in receipt of your letter concerning the above referenced subject.
Butaleja District Local Government is ready to take on the student for
Research.

This is therefore to inform you that your request is accepted and take note that
this research placement attracts no financing to your student. She will be
placed in Finance Department, under the supervision of the Chief Finance
Officer.



Himigu Herbert



For: CHIEF ADMINISTRATIVE OFFICER/BUTALEJA

Copy to:

Chief Finance Officer, **Butaleja**
Ms. Babirye Fatuma
File