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RESEARCH ARTICLE

EFFECT OF ETHICAL CODES ON CUSTOMER SERVICE DELIVERY OF SELECTED QUOTED DEPOSIT MONEY BANKS IN LAGOS STATE, NIGERIA

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Abstract

This study examined the effect of ethical codes on customer service delivery of selected quoted deposit money banks in Lagos state, Nigeria. Cross-sectional survey research design was adopted in the study. The population was 38,003 staff and 17,780 corporate customers of eight selected deposit money banks' in Lagos State, Nigeria. A sample size of 494 for banks staff and 494 customers were determined using Cochran's formula. Stratified proportionate sampling technique was adopted in the study. Data were collected using a structured and validated questionnaire. Cronbach's Alpha coefficients for ethical code was 0.759 and for customer service delivery 0.762. The response rate for bank staff and corporate customer were 88% and 89% respectively. Data collected were analyzed using descriptive and inferential (linear regression) statistics. The finding revealed that ethical code had no significant effect on customer service delivery of selected quoted deposit money banks in Lagos state, Nigeria ($\beta = 0.031$, $t = 0.462$, $p > 0.05$). It was recommended that Chartered Institute of Bankers of Nigeria should re-awake and promote Professional Code of Ethics in the Nigerian Banking Industry.

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Introduction:-

Ethical codes are documented in booklets and are issued to the members of an organization on their resumption of duties. They are expected to read, digest and understand the content and endorse it. Part of what is expected to be endorsed include among others; oath of secrecy, confidentiality of information in addition to imbibe integrity and honesty. On stronger term, its core values essentially lies on professional competencies (Ajayi, 2007). It is thought to be a set of moral beliefs and conduct that discourages acts of self-gain and encourages honest and modest ways of generating business income. A well written code of ethics should also give guidance to employees on how to deal with certain ethical situations. Every code of ethics is different and should reflect the company's ethics, values and business style. Some codes are short, setting out only general guidelines, and others are large manuals, encompassing a huge variety of situations (Singh & Prasad, 2017).

In spite of the important roles of ethical codes to business operations and the promulgation of several ethical codes in Nigerian banking industry, evidences from different banking reports and journals have shown growing incidence of bad debt and continuous failure of banks attributable to a degree of unethical conduct among some staff in critical banking positions as well as non-adherence to bank ethical codes. The expectation of the pioneer authors of ethical

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codes is to translate an efficient code of ethical practices into the belief that will cause a diligent customer service delivery on the banks' products and services. The Central Bank report (2019) elucidated that the issue of conflicts of interests, involving or engaging in extraneous activities which compete with or constrain a bank's primary responsibility; abuse of trust/office, involving abuse of position and taking advantage of the institution to enrich oneself, and the like. Also, lack of full disclosure such as, non-disclosure to relevant authorities in dealing with other players and customers in the market place; underestimating the volume of deposits in order to evade insurance premium, and the sidelining of vital prudential guidelines. There is also the issue of misuse of Information, (manipulation or non-disclosure of material information on reports supplied to Regulatory Authorities, in order to derive some benefit or avoid liabilities).

Ugwu, *et al* (2009) equally stated that in spite of reforms and injection of public funds into ailing banks, the banking sub-sector of Nigeria's financial system has continued to constitute a source of worry to both depositors and investors. Thus, it is pertinent to determine the effect of ethical codes on customer service delivery of selected quoted deposit money banks in Lagos State, Nigeria.

Literature Review:-

Ethical Codes

Code of ethics are adopted by organizations to assist members in understanding the difference between right and wrong and in applying that understanding to their decisions (O'Rourke, 2017). Tanui (2016) view code of ethics as a set of behavioral rules employees should follow to ensure that the company's values are reflected in all business dealings. Regardless of the size of the business, clearly defined codes and closely monitored transactions should keep your company from violating laws and make it a place where employees feel comfortable doing the right thing. Alawiye-Adams and Ogundele (2018) defined code of ethics as a reflection of the standards which establishes a realistic mode of behavior that applies to everyone in the bank, from the board of directors to the lowest level of workers in the bank. A primary objective of the code of ethics is to define what the company is about and make it clear that the company is based on honesty and fairness.

Ethical codes confer several benefits to business organisations. Tamunomiebi and Ehior (2019) pointed that ethical practice promotes efficiency and effectiveness; it helps to avoid incurring unnecessary cost as results of fine for being unethical in practice. It promotes the image of organization and it brings customer trust and loyalty as well as fostering cordial relationship between the organization and stakeholders. In the opinion of Tamunomiebi and Ehior (2019), organization must be ethical in practice by telling customers the absolute truth about product problems. Granting social leaves of absence may not have an immediate return on investment as well as adhering strictly to the policies of the government and regulatory agencies. In further revealing how ethical codes could affect an organization, Abdiwali and Kising'u (2019) revealed that strategy implementation, and ethical codes have significant and positive effects on firm performance, while strategy formulation and strategy evaluation have significant effects on firm performance of telecommunication companies in Mogadishu. Strategy implementation and ethical codes serve as the determinants of firm performance including strategy control, strategy formulation and strategy evaluation.

Customer Service Delivery

Customer service delivery is a model or processes adopted by firms in order to present a product or service to a customer in a manner that can exceed his or her expectation (Bijuna & Sequeira, 2016). According to Chosniel and Wilson (2013), bank customer service delivery is concerned with the provision of quality services to customers. This is because service delivery determines the level of customers' satisfaction and consequently, the customer patronage of any bank (Chosniel & Wilson, 2013). Flavián and Guinaliú (2015) assert that quality of services in any organization or systems is determined by a number of factors that range from employee culture, organization policies and stakeholder involvement in the service model.

There are several advantages of customer service delivery to business organizations. Simons (2017) stated that customer service play an important role in increasing the customer loyalty and customers highly consider the price of these services. This means that, delivering excellent and superior customer service is about bringing the customer back. The customer service delivery is aimed at building value equity, brand equity and relationship equity (Manduku, 2017). Customer equity could be used to measure customer service delivery. The explanation drive is that customer equity could be of the three dimensions. First, it is value equity. That is, Value equity is the customer's objective assessment of the utility of an offering based on perception of its benefit relative to its costs.

Second, it is about Brand equity. That is, brand equity is the customer's subjective and intangible assessment of the brand above and beyond its objectively perceived value. Mafimisebi (2018) stated that quality service delivery attracts customers. Third, relationship equity is the customer's tendency to stick with the brand, above and beyond objective and subjective assessment of its worth. Relationship equity is especially important where personal relationship counts for a lot and where customers tend to continue with the suppliers out of habit or inertia (Manduku, 2017).

Ethical Codes and Customer Service Delivery

The study of Ajisafe *et al.* (2015) establish that workplace bullying affect employees' decision to commit unethical behaviors. Ouma (2017) indicated that workplace bullying positively connected with rating of unethical actions, negatively with psychological ownership, and bullying described significant discrepancy in self-reported unethical behaviour. Nawaz and Ikram (2013) examined code of ethics in the Pakistan construction industry using survey questionnaires. Nawaz and Ikram (2013) study revealed that the lack of education in ethics, dishonesty, bribery, and unreasonable behaviour to be the key unethical issues, and recommended high quality training to address the problems. In Australia, Stramarcos and Cattell (2013) establish that the unethical practices of item pricing was a wide spread phenomenon in the construction industry, and that other researchers had viewed it as an unethical practice.

Pratistha (2016) revealed that there is a positive relationship among strategic control, strategic orientation, strategic position, business environment and business performance in Indonesia. Monday, Akinola, Ologbenla, and Aladeraji,(2015); Muogbo (2013) used strategic control and ethical codes as indicators for strategic management to show that significant effects of strategic control and ethical codes on the profitability and operational performance of the selected manufacturing firms.

Similarly, McKendall, Kasten, Hanks & Chester(2014) found that ethical codes positively affect firm market share, customer satisfaction and profitability of an organisation. Asikhia (2016) revealed that ethical codes are helpful in the agencies and organizations audited. The management of the organization and the performance by the organizations are reported to have improved due to sound ethical codes in auditing. However, common business practice dictates ethics to be overlooked due to the firm's drives to increase sales and revenue, thus negatively affect firm overall performance (Bommer, Gratto, Gravander & Tuttle, 2017). Based on this diverse assertion, this study hypothesizes that:

H₀: Ethical codes do not significantly affect customers' service delivery of selected quoted deposit money banks in Lagos State, Nigeria

Theoretical Review

Theoretically, this study is anchored on the quality theory. The service quality theory advanced by Gronroos (1982) and theory is premised on the consumer behavior theory fronted by Howard and Sheth (1969). The theory shows consumers get stimulated to think about buying by quality, price, distinctiveness, service and availability from the signicative and symbolic aspects and how service quality enhance customer satisfaction. The service quality theory outlines the importance of firm business ethics in achieving sound and quality service delivery to consumer. The service quality theory argues that the existence of firms depends on sound business ethic and consumer service delivery and loyalty through quality service to the consumers. Service quality theory that focus on how managers or leaders transform organizational activities, employee and process in order to gain firm overall performance and customer satisfaction. The service quality theory also shows how business ethics enhance functional quality, technical quality, image, and overall service quality which in turn increases customer service delivery and overall firm performance.

Methodology:-

The paper employed a cross-sectional survey research design. Cross-sectional survey design was utilized because it extensively describe the nature of relationship between the dependent and independent variables across the selected deposit money banks through survey information. The target population for this study was 38,003 total work-force of eight banks and 17,780 corporate customers of 8 selected deposit money banks' in Lagos State. These banks are Zenith Bank Plc, Guaranty Trust Bank Plc, United Bank for Africa Plc, Access Bank Plc, First Bank Plc, Ecobank Plc, Sterling Bank Plc, and Wema Bank Plc. Out of a total of eight (8) banks to be under studied, five of the banks were in international category of the deposit money banks in Nigeria while the remaining three banks were selected

based on their national categorization, as stated by the Central bank of Nigeria (CBN, 2018). All eight banks were further selected based on the fact that they have been classified as Tier1 and Tier2, as highlighted in appendix. The table contains the total workforce and corporate customers of the respective banks. The sampling frame for this study was the list of the sampling units in the population and consisted of the distribution of the respondents which covered the respective management levels within the selected banks. The study adopted proportional and simple random sampling technique in selecting the sample from the working population of this study. This sampling technique enabled the researcher to choose the samples in stages until the required sample was arrived at using the most appropriate methods of estimation at each stage. The Cochran’s formula was used to determine the sample size. 494 for banks staff and 494 corporate customers.

A structured and adapted questionnaire was used to collect data. The questionnaire was grouped into three sections; Section A dealt with demographic variables in which the respondents were asked to provide some basic personal and business information. Section B measured the variables of ethical code, and section C measured the customer service delivery (CDS) which was the dependent variable. Ethical code was adapted from the study of O’Rourke (2017) while Customer Service Delivery was adapted from the work of Paswan (2015). The variables were measured using self-developed instrument which was rated by the employees on a 6-point Likert type scale with anchors ranging from 1 = very low to 6 = very high. The independent variable, ethical code has five (5) items, while the dependent variable, customer service delivery also has five (5) items. The instrument was validated using content and construct validity through experts’ assessments and basic statistical tools. The reliability of the research instrument was tested using Cronbach’s alpha, since the study used multiple item measures. A pilot study was conducted at two money deposit banks (with national and international authorizations in Nigeria) in Lagos State. A total of 49 copies of the questionnaire which were administered among the employees out of which 41 copies were retrieved and analyzed. The results of the reliability test showed that the scales were considered as reliable (ethical code = 0.759, and customer service delivery = 0.762, Cronbach’s $\alpha > 0.70$) and the manipulation checks were valid. This was based on the Nunnally (1978) recommendation value of 0.70 and above. The data collected was summarized and analysed by descriptive and inferential statistical technique using Statistical Package for Social Sciences (SPSS version 24.0). The regression model specified for the study is represented below:

$$Y = \beta_0 + \beta_1 X + e_i \quad \dots\dots\dots (i)$$

- Where: Y = customer service delivery
- X = Ethical Code
- β_0 = Constant term
- β_1 = Coefficient of Ethical Behaviour
- e_i = Error term

Results and Discussion:-

The researcher administered 988 copies of questionnaire to the target respondents - staff (494) and corporate customers (494) of selected deposit money banks. A total of 877 [(bank staff = 435) and (corporate customers = 442)] and copies of questionnaire were properly filled and returned, making a response rate of 88.76%. This response rate was satisfactory to draw conclusions from the study and was, therefore, representative. Linear regression analysis was used to test the hypothesis. Significance value was set at $p \leq 0.05$. The linear regression results are presented in Tables 1.

Table 1:- Summary of Linear Regression Analysis for Effect of Ethical Code on customers’ service delivery of selected quoted deposit money banks in Lagos state, Nigeria.

Variables	β	T	Sig	R	R^2	Std. Error of the Estimate
(Constant)	21.018	12.113	.000	.022 ^a	.0005	4.29296
Ethical Codes	.031	.462	.645			

a. Dependent Variable: Customer Service Delivery

Source: Field Survey, 2021

The result in Table 1 shows that ethical code has no significant effect on customer service delivery of selected quoted deposit money banks in Lagos state, Nigeria ($\beta = 0.031, t = 0.462, p > 0.05$). The effect is positive but statistically insignificant. The result indicated that ethical code only explained 0.05% of the variations in customer service delivery with the remaining 99.95% being explained by other variables implemented by the selected banks and not considered in the model. This implied that the ethical code captured very little variations in customer service

delivery. The result of the standard error of the estimate is 4.293 showing the variability in the prediction is 4.293. This implied that the model was not robust enough to explain the relationship between the predictor and dependent variable. This relationship is presented in the following equation:

$$\text{CSD} = 21.018 + 0.031\text{EC}$$

Where:

CSD = Customer Service Delivery

EC = Ethical Code

The regression equation above indicates that holding the ethical code constant, other factors influencing customer service delivery account for 21.018. The results further shows that a unit change in ethical code would yield to 0.031 change in customer service delivery. However, the analysis of *t*-test value showed insignificant results ($t = 0.462$, $p > 0.05$) for ethical code. Based on the result, the null hypothesis (H_0) which states that ethical code does not significantly affect customer service delivery of selected quoted deposit money banks in Lagos state, Nigeria was not rejected. The study contradicts the findings of Abdiwali and Kising'u (2019) which revealed that strategy implementation, and ethical codes have significant and positive effects on firm performance. It also contradicts the finding of Muogbo (2013) which used strategic control and ethical codes as indicators for strategic management to show that strategic control and ethical codes have effects on the profitability and operational performance of the selected manufacturing firms. This result which is against researchers expectation could be attributable to lack of focus on purpose of banking codes; weak alignment between customer service, performance measurement metrics and ethical codes in the banks; failure to give adequate recognition to the codes and employees working as a team to shape their individual behaviours; unrealistic expectations/targets setting for employees and cynicism due to pressure of reporting and tracking of compliance.

The findings of this study negated the service quality theory. This is most likely to be due to non-compliance with codes by most employees of banks who are under undue pressure to perform. However, it is imperative to state that there is still the need for ethical codes in ensuring customer service delivery. Buttle (1996), and Tan and Pawitra (2001) agreed that assurance is knowledge and courtesy of employees and their ability to convey trust and confidence. The service provider must instill confidence in customers in the process of transacting, make customer feel safe and display courtesy consistently. Robledo (2001) suggests that empathy is the approachability, ease of access and effort taken to understand customers' needs.

Conclusion and Recommendation:-

The paper investigated effect of ethical codes on customers' service delivery of selected quoted deposit money banks in Lagos State, Nigeria. It examined how compliance with ethical codes in banking industry probably influence customers' service delivery. The finding revealed that ethical code has no significant effect on customer service delivery of selected quoted deposit money banks in Lagos state, Nigeria. It is evident that standards and codes of banking practice puts pressure on professionalism and fairness on customers. Nonetheless, diligent and strict adherence to these standards will surely enhance the customers' satisfaction, protection and loyalty in the delivery of services by the banks. There is need for The Chartered Institute of Bankers of Nigeria to re-awake and promote Professional Code of Ethics in the Nigerian Banking Industry. Emphasis should be laid on the values and benefits of compliance to banks and the bank customers as well as the penalties and sanctions for unethical/unprofessional conduct contrary to the code.

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