

Ethical Issues in Service Marketing - With Reference to Banking Industry

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Abstract: *Financial institutions should have rules of law, industry and ethical standards. Dealing with ethics is not a side line but it should be the core part of the industry, as banking is all depend on mutual trust. Greed and unethical behavior by market participants creates a situation of financial crises. In today's competitive scenario, every bank wants to become the market leader, capture maximum market share and have maximum customer base. To achieve this objective various kind of marketing strategies and communications are undertaken. The communications are extremely important in case of services to create powerful images and a sense of credibility, confidence and assurance for the consumers.*

However, in the banking sector, marketing communication elements are misunderstood and irrelevant from the consumer's perspective. Moreover, for the growth and survival every business has to trade off between 'profit' and 'ethical' issues concerning their marketing strategies.

The paper covers the opportunities of ethical misconduct in service marketing, issues that create ethical conflict and factors that affect the ethical decision making.

Keywords: *Financial institutions, services, banking sector, ethical misconduct*

I. Introduction

Ethics are defined as "a branch of philosophy dealing with what is good and bad and with moral duty and obligation". Opportunities for ethical misconduct with in service sector abound and they can be attributed pre dominantly to the intangibility, heterogeneity and inseparability dimensions inherent in the provision of services. Inseparability complicates the consumer's ability to evaluate the quality of service provided. Heterogeneity reflects the difficulty in standardization and quality control. Inseparability reflects the human elements involved in the services delivery process. All three dimensions contribute to consumer vulnerability to and reliance upon the services provider's ethical conduct during the service encounter.

II. Opportunities for Ethical Misconduct in Service Marketing

Services are intangible in nature and are provided simultaneously at the time of consumption. Services are being provided by human beings, deliverance of service is different from person to person hence it cannot be standardized. Due to all these factors there are lot many chances where the ethical misconduct can be seen.

- **Very little knowledge of services before consumption**

Due to intangibility of the services, consumers can not physically examine the services before purchasing; consequently, consumers have little pre purchase information about the services.

- **Services are often specialized or technical**

Most of the services are technical or specialized in nature and can be misunderstood by the customer. For example the terms and conditions of an insurance plan cannot be understood by a lay man.

- **Time gap between performance and evaluation**

Services like insurance and financial planning is mostly done for future for example the success and failure of retirement planning may not be realized before retirement.

- **Non availability of guarantees and warranties**

Services are sold without guarantee and warranty. In April 2013 Dr. Chakrabarty, RBI deputy governor, supported Money life Foundation's appeal that banks should not be allowed to sell third-party or non-banking products like is insurance, gold and mutual funds because they are untrained to so do and do not take responsibility of the outcome in any manner.

- **Boundary spanning services**

Many a time's services are provided outside the physical premises of the firm or institution. For example most of the bank accounts are opened at the residence of the customers, as a service gesture bank official visit the customer at their place. Due to this service provider often are not under the direct supervision.

- **Variability in performance**

Due to heterogeneity, standardization and quality control measures cannot be implemented in service deliverance. Each individual is different in their transaction. Consumer participation - People think that with involvement of the customer in the service encounter, there will be fewer opportunities for ethical misconduct. But the things are vice versa, the Consumer's involvement in the whole process enables a service provider to influence the consumer through fear or greed for the product.

III. Reasons For Ethical Misconduct

In banking institutions personal selling is highly used and reliable media of communication. Due to individuality of service provider and consumer, the chances of ethical misconduct increases due to greed, self interest, profit maximization, to accomplish targets etc.

- **Lack of transparency**

When a customer is paying for the services, he has full right of loyalty and transparency from the institution but bankers recommend those investment plans to the customers in which bank is making maximum profit rather than informing the customer about the composition of the investment.

- **Conflict of interest**

Service provider can be in close proximity to the customer, consequently the service provider can experience conflict of interest. For example a insurance personnel can guide the customer to divide his whole amount of investment in small amount and increase the number of policies to evade the requirement of PAN number and to misguide the income tax authorities. In this scenario, customer and employee are in win situation, but the government does not get actual data about the potential of the customer.

- **Outcome based reward system**

In our country reward systems are outcome based and not service or behavior based. To fulfill the assigned target or to get recognition, officials often engage in practices to misguide the customer.

IV. Factors Affecting The Ethical Decision Making

Different people make different decision on the basis of their interpersonal relations, ability, morality and learning with the same set of cultural and organizational values.

- **Personal values influence the Ethical decision making**

Individual can apply one set of value for personal life and another set of values in professional life.

- **Corporate culture**

It provides a framework for making ethical decisions. Rule & regulations, policies & procedures of the institute needs to be considered at the time of making decisions.

- **Organizational structure**

Organizational structure can impact the ethical decision making. Among centralized and decentralize structure, past studies has revealed that centralized structure have more ethical decision.

- **Reward systems**

Reward systems are outcome based rather than behavior utilized to achieve the results. In other words, what you accomplish is measured, and how you accomplished it seldom examined. **Competitive environment**

Competitive environment in which individual operates is a major challenge, pressure from supervisor and ethical climate in the organization can have an impact on the individual's personal values. When an individual feels the pressure to succeed and achieve the targets, they tend to compromise their own personal values and ethics.

V. Conclusion

Participants in the banking sector should be true professionals and should adopt best practices of the industry and should comply to the rules strictly. If any illegal or unethical activity is suspected by a financial service provider then it should be discouraged and if required should report to the concerned authorities. There should be independence, meaning that service provider should not be biased by personal relationship, personal benefits such as gifts or other forms of compensation.