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Business Ethics as a Tool for Competitive Advantage in the Banking Industry in Nigeria

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ABSTRACT Given the financial scandals and the resulting new mandates on business, firms find themselves pressed to develop strong codes of ethics to guide the behaviour of board members, managers and employees. In recent times, the banking and telecommunication sectors in Nigeria have been the most vibrant; contributing immensely to the growth and development of the country. Considering the recent corporate governance problem in the banking sector that led to the removal and trial of chief executives of five banks and the subsequent liquidity problem it created, there is the need to look into the business ethics practices in Nigeria especially in the banking industry. The aim was to establish the level of unethical practices perpetrated in the Nigerian banking industry in recent time and the consequences. Data was collected from available literature on the issue and analysed. The study shows that there are several unethical practices in the Nigerian banking industry. The recent developments in the industry confirmed this, especially with the removal of top executives in some banks owing to illegal granting of loans and the resultant crisis that followed. The study recommended that all stakeholders in the banking industry, namely the regulator, shareholders, sponsors/directors, top management and the government, should participate actively in ensuring that there is an ethical code in place in the banking industry in Nigeria. Moreover, the management of banks should ensure that their various organizations follow due process in the business practices to avoid future crisis. The study also concluded that there should be more commitment from the various Stakeholders in the industry to ensure the propagation of ethical business practices. This will not only ensure that transactions are carried out in the correct manner, but will as well guarantee customers' retention at competitive advantage for those firms that adhere to high ethical standards.

INTRODUCTION

There are noticeable changes and restructuring of the world economy, brought about mainly due to the spread of the free-market economic policies as well as the globalization of business owing to the emergence of information technology. In spite of this growth, there have been observed decline in government regulation, leading to increases in both business scandals and corporate crimes.

Faced with an increased globalization, Drucker (2007: 20-21) believes that the management of business must maintain its wealth producing resource intact by making adequate profits to offset the risk of economic activity, and ensuring a continued increase in wealth-creating and wealth-producing capacity of these resources. However, this responsibility demands a careful consideration of the costs of meeting these responsibilities and the benefits to be derived. Regrettably, organizations and businesses have been operating based on the traditionally held belief that the primary aim of business is the protection of interest(s) of stakeholders. While this view is accurate, it is to be noted that in a liberalized economy, stakeholders extend beyond the superficial immediate owners of the business.

For instance, Freeman (1984: 46-47) identifies and models the groups which are stakeholders of an organization. The contemporary stakeholder theory is used to encompass parties such as government bodies, trade unions and associations, communities, prospective employees and consumers, as well as the public. Thus, every stakeholder in any organization is interested directly or indirectly in the effective management and performance of the organization. This could be in the form of employees, directors and management that are interested in their salaries, benefits and reputations, or shareholders who expect return on capital invested. It could also be in the form of customers who pay for products and services, or suppliers who receive compensation for their products and services. In return, these individuals provide value in the form of natural, human, social and other forms of capital.

The need to ensure that the management of organizations adopt measures and policies aimed at promoting in equal measure, the well-being of every stakeholder prompted suggestions for a redefinition of the complex relationship existing between business organizations and society (Sharplin and Phelps 1989: 41). Virtually every week there is at least one business scandal in which a corporation appears to have violated the rules or standards of behaviour generally accepted by society. Company finances have been manipulated in order to show a better balance sheet than actually exists, bribes have been paid to secure a business deal, child labour has been used to assemble a product, discriminatory practices have prevented the employment or promotion of members of a particular group. When businesses behave unethically, they act in ways that have a harmful effect on others and in ways that are morally unacceptable to the larger community (Newell 2012).

In this 21st century, the ethical issues in business have become more complicated because of the global and diversified nature of many large corporations and because of the complexity of economic, social, global, natural, political, and legal and government regulations and environment. Hence, it is left for companies decide whether to adhere to constant ethical principles or to adjust to domestic standards and culture.

Given the financial scandals and the resulting new mandates on business, firms find themselves pressed to develop strong codes of ethics to guide the behaviour of board members, managers and employees. Although the concern with ethics has always been a part of doing business, business leaders today are beginning to think about ethics as a set of principles and guides of behaviour rather than a set of rules (Sullivan 2009: 19). In this sense, business ethics is not only an attempt to set a standard by which all the employees of a firm can know what is expected, but it also an attempt to encourage employees, managers, and board members to think about and make decisions through the prism of a shared set of values (Sullivan and Shkolnikov 2006: 1).

Statement of the Problem

From the time of the earliest civilizations, public authorities, philosophers and business leaders have been concerned with ethics. One challenge for those in the business community, particularly those operating in a multicultural or multinational environment, has been to find a source or standard that can anchor an ethics code, independent of national culture or national issues (Sullivan and Shkolnikov 2006: 5).

As parts of human communities themselves, business firms and their various activities demand codes of conduct or norms that guide their behaviours. Put differently, ethical actions by business persons in the pursuit of business goals have become a tenet for sustainable business practices and demands of contemporary firms. Nilson and Westerberg (1997: 492) hold that ethics and business not only can, but must go together, because to do business without concern to ethics is the surest way to fail.

This is very serious because corporate power and impacts are increasing as corporations become larger and as profit-making concerns take over functions that were once publicly controlled. Increasingly, it is the private sector that determines the quality of air we breathe, water we drink, our standard of living, and even where we live and how easily we can move around and communicate (Newell 2012).

The importance of ethical behaviour in the financial sector is especially important since business depends as much on reputation as on performance (Carse 1999). A 2002 World Development Report on the basis of empirical studies points out that a sound financial system helps to mitigate risks, create confidence, attract savings and create opportunities for investment. It is also said that corruption, which is the consequences engendered by unethical banking system, can cost the poor three times more than the rich (Dogarawa 2004: 2).

In recent times, the banking and telecommunication sectors in Nigeria have been the most vibrant; contributing immensely to the growth and development of the country. Considering the recent corporate governance problems in the banking sector that led to the removal and trial of chief executives of five banks and the subsequent liquidity problem it created, there is the need to look into the business ethics practices in Nigeria especially in the banking industry.

Objectives of the Study

The objectives of the study are:

1. To analyse the concept of business ethics,
2. To examine the level at which ethical business principles are observed in the Nigerian banking industry,
3. To infer ways through which sustainable ethical business principles can be entrenched in the Nigerian banking industry,
4. To ascertain if business ethics can be used as a tool for competitive advantage.

RESEARCH METHODOLOGY

The paper adopted a qualitative method that is based on conceptual exploration, theory building and critical analysis. It is as well, a meta-analysis, which relied on secondary sources of information. It considers business ethics as a tool for competitive advantage in the banking industry in Nigeria from an "emic" perspective (author's viewpoint). The analysis has included a comparative review of literature relating to business ethics. Reports on the banking industry in Nigeria were consulted and critically analysed.

Theoretical Framework

Concept of Business Ethics

Given the increasing social impact of business, business ethics has emerged as a discrete subject over the last 20 years. Business ethics is concerned with exploring the moral principles by which we can evaluate business organisations in relation to their impact on people and the environment (Newell 2012).

Donaldson (1989: 2) defines business ethics as the systematic study of moral (ethical) matters pertaining to business, industry or related activities, institutions or practices and beliefs.

Ethics in the business world is not just about global conventions and statements; it is also about meaningful actions and personal commitment to raise ethical standards (see Table 1). The corporate sector is replete with examples of firms that profess strong ethical structures on paper but become unravelled by corrupt behaviour. Having a strong sense of ethics is not a guarantee that a company will always do the right thing. But the opposite is also true; many companies have started from poor reputations and set new benchmarks of corporate ethics. The key component underlying much of what the best ethical companies do is leadership. Leadership- made visible through actions, commitment and examples- sets the moral tone that emanates from the top and translates ethical principles into the concrete behaviour expected from all persons acting on behalf of the organization (Khang 2005).

In the following matrix we identify the likely scenarios that corporate stakeholders will face in the presence of a strong or weak environment in either corporate governance or ethical culture. Each scenario presents opportunities for corporate leaders to move to the ideal bottom right-hand quadrant, namely by becoming an exemplar for how to build an ethical organization and become an industry leader for good corporate governance practices.

Table 1: Corporate governance-ethics matrix: The moral compass of companies: Business ethics and corporate governance as anti-corruption tools

		Corporate governance framework	
		Weak	*Strong*
Ethical	*Weak*	Focus on Overcoming Systemic Corruption	Focus on Building an Ethical Organisation
	Strong	Focus on Improving Corporate Governance Framework	Focus on Compliance Disseminating Best Practice Experience

Source: Khang (2005) used with permission

Ethics and moral norms now set a new benchmark for choosing to "do the right thing" in business practices. Corporate scandals of excessive fraud, greed, dishonesty and bribery have slowly turned the tide to the extent that corporate codes of ethics are the norm rather than the exemption. This evolution is only a few decades old but its principles are reflected in current definitions of corporate governance and solidly codified in the OECD and UN international conventions against bribery (Sullivan 2009: 19-25).

According to Gini (1996: 1), business ethics has become a prerequisite for conducting any type of business, particularly in the global marketplace. The role of ethics in business can be viewed from two different angles. While the first view posits that the sole responsibility of a corporate executive is to maximize the shareholder's value, the second view is that 'ethics pays', which implies that acting in a socially responsible way toward stakeholders, will automatically enhance shareholder wealth.

Increasingly, organisations are dealing with ethics as a corporate strategy that, if effectively implemented, could achieve competitiveness because long-term sustainable competitive advantage is the result of exploiting an enduring core of relevant capability differentials, cultivated by responsible management of tangible and intangible internal assets. Also, a company with superior business leadership skills in enhancing integrity increases its goodwill with multiple stakeholders and positions itself for competitive advantage relative to companies without comparable leadership performance. Hence, companies that are aware of stakeholder interdependence by demonstrating ethical awareness and respond effectively to moral issues, put themselves in a position of a competitive advantage in comparison to other companies without those internal resources (Petrick and Quinn 2001: 331).

Given the new mandates on business, firms find themselves pressed to develop strong codes of ethics to guide the behaviour of board members, managers, and employees. Multinational companies are also being required to set standards for those in their supply chains- in some cases setting higher standards than the laws of the countries in which they do business. There are many different factors that companies, especially financial companies, need to take into account when developing their own code of ethics as part of a general corporate governance guideline. In this sense, business ethics is an attempt to set out a standard by which all of the employees of a firm can know what is expected of them. But it is also an attempt to encourage employees, managers and board members to think about and make decisions through the prism of some of shared set of values. What then are the sources from which these values can be derived?

Laws and regulations of the countries in which companies operate constitute one of these sources. However, it is important to recognize that companies are no longer simply limited to national law. National laws in many countries are seeking to harmonize with international standards. Another area that is driving the development of corporate governance and business ethics is the notion of corporate social responsibility and corporate citizenship. Public relation sustainability is emerging as the preferred term in the business community. Sustainability involves operating procedures, but also the impact of corporate behaviour on stakeholders namely, employees, investors and communities (Khang 2005).

One starting point to consider in developing initiatives to strengthen business ethics is the difference between bright lines and values. This is a relatively new distinction. Bright lines are those standards that attempt to set out specific and very finite which companies and individuals cannot break. The sources or guidance on these bright line rules can start with, for example, the OECD Anti- Bribery Convention, which can be translated into national laws and rules on an anti-bribery standard. Although bright line rules are often very specific, every individual company still needs to develop accountability practice to ensure that employee are indeed following these rules. Transparency International, for example, has produced a handbook to help companies develop an entire internal practice to enforce such initiatives. Sarbanes-Oxley, the famous U.S corporate governance law, also requires documentation standards of accountability for handling funds and assets.

In terms of general guidelines for behaviour, there are a number of different sources for business ethics programs. Historically, one of the more prominent is that developed by Reverend Leon Sullivan, which began with the anti-Apartheid movement in South Africa and has evolved into a global set principle (Sullivan 2009).The 10 principles in the United Nation Global compact go considerably beyond the bright line rule and deal with the larger issue of values (United Nations Global Compact 2012). Another similar set of principles was developed by the Caux Round Table,an organization where business leaders from different countries came up with a set of general principles for business behaviour (Hunter 2010). There is another set of guidelines developed by the, OECD; the OECD Multinational Corporate Guidelines. They go even further, attempting to encourage or mandate corporate behaviour in a variety of areas ranging from the environment to contributions to society and providing leadership in the development of a nation. The principles cited above, and others, view the concept of ethics as a code to guide proper behaviour. It is also perceived as a code to guide decision-making in doing business and as standards that bring out and merge into the sustainability agenda (Sullivan 2009: 19-25).

Existing Facts and Figure on the Value of Ethical Behaviour

Although ethical behaviour is considered more as the right thing to do than a calculation of whether it leads to higher business profits, numerous attempts have been made to estimate the financial value of ethical behaviour and good corporate citizenship. There are quantitative and perception studies, all fraught with methodological flaws, since there are no reliable indications with which to measure the financial gains of business ethics. However, despite methodological compromises, all tend to support the intuitive knowledge that entrepreneurs gain from business experience; integrity is the foundation of sustainable business and contributes to greater shareholder's value.

Perception surveys also reveal consistency across different countries, cultures and industries. There is a growing belief that ethical companies are more successful than those that are not, particularly over the long run. It may be difficult to accept the value of business ethics without precise figures, particularly in a contemporary managerial age. However, the business world is filled with case studies of corporate ethical cultures. Plenty of qualitative evidence demonstrates that ethical behaviour pays off over time with brand and corporate reputation, customer and employee loyalty as well as overcoming perceived crisis situation in company.

More recent studies are providing strong evidence that good corporate governance and business ethics policies lead to increase business success. Two McKinsey surveys – Global Investor Opinion Survey (2002), and Global Survey of Business Executive: Business and society (2006), interviewed over 200 institute investors who collectively manage approximately US$2 trillion in assets, and 4,238 executive (more than a quarter being CEOs) from 116 countries, respectively. The first demonstrate high governance standards, that is, average premiums of 12-14% in North America and Western Europe and Africa. Interestingly, the second survey showed that whereas more than half of all executives employ public relations and lobbying as strategies to manage social and political challenges, a larger proportion believed that more effective strategies are to be found in developing ethics policies and increasing transparency about the risk of products or processes (Khang 2005).

Additionally Kaufmann et al. (2005: 101) argue that global companies have the means and the power to shape the business climate where they operate. Best-practice companies can be proactive agents of change, simply by voluntarily agreeing to raise their standards of business ethics. Human beings naturally do not exercise consistent moral behaviour. But with growing transparency and accountability in an economy, ethical organizations acquire sound business sense in the competitive marketplace (Hunter 2010).

Institutionalisation of Ethics

Managers, especially top managers, do have a responsibility to create an organizational environment that fosters ethical decision-making by institutionalizing ethics. This means applying and integrating ethical concepts with daily actions. This can be accomplished in three ways namely, by establishing an appropriate company policy or a code of ethics; by using a formally appointed ethics committee; and by teaching ethics during management development programmes (Koontz and Weinreich 2006: 45-46). However, the most common way to institutionalize ethics is to establish a code of ethics; much less common is the use of ethics committees. Management development programmes dealing with ethics issues are seldom used.

A publication of code of ethics, which include ethics criteria in performance appraisal, is necessary. Moreover, certain firms connect compensation and rewards to ethical behaviour. Managers should also take any opportunity to encourage and publicize ethical behaviour. At the same time, employees should be encouraged to report unethical practices. Most importantly, managers must set good example through ethical behaviour and practices (Sullivan 2009: 19-25).

Factors That Raise Ethical Standards

According to a study, there are two factors that raise ethical standards that should be pursued by business managers namely, public disclosure and publicity and increase concern of a well-informed public (Brenner and Molander 1977: 55-56).For ethical codes to be effective, provisions must be made for their enforcement. Unethical mangers should be held responsible for their actions. This means that the privileges and benefits should be withdrawn and sanctions should be applied where necessary. Although the enforcement of ethical codes may not be easy, the mere existence of such codes can increase ethical behaviour by clarifying expectations. On the other hand, one should not expect ethical codes to solve all problems. In fact, this can create a force sense of security. Effective code enforcement requires demonstration of consistent ethical behaviour and support from top management. Another factor that could raise ethical standard is the teaching of ethics and values in higher education institutions (Sullivan 2009: 19-25).

Code of Ethics

Corporate citizenship and low-risk company ethics profiles start with a corporate code of ethics. As business ethics have evolved and the scope of business issues has expanded over the past decade. Codes have become the rule rather than the exception at most companies. It is important to recognize that a code of ethics is not the only tool available to pursue a company's ethical objectives. Irrespective of the term employed by any given company, it is important to recognize that a code of ethics is not the only available tool in a company's ethical objectives. Though it tends to be the most common first approach in fostering an ethical business environment, if a code is employed as a single instrument, its benefits will be limited and of minimal reach.

The danger is that members of an organization may develop a false sense of protection because they believe that the code of ethics absolves them from having to use personal discretion or individual judgment about what is right and wrong. Or if employee perceives a discrepancy between professed values and actual behaviour, a code can be counterproductive and leads to apathy and mistrust, particularly if executive leaders and board members are seen to be exempted from the organization's ethical standards. A code of ethics outlines the values and beliefs of an organization and ties them to an organization's mission and objectives.

Specifically, it codifies the standards of ethical behaviour expected of all employees and the values to which all members of an organization commit themselves to uphold when conducting business with internal and external stakeholders. As such, the code of ethics becomes a yardstick by which to measure the operational process and regulates the behaviour of managers and employees, but it also sets long –term goals, communicates the company's values to the outside stakeholders, and motivates employees giving them pride in working for a company with clearly articulated, unequivocal values than simply a statement of a company's moral beliefs.

A well written code is a true commitment to responsible business practices in that it outlines specific procedures to handle ethical failures. Codes of ethics today address a variety of issues including work environment, gender relations, discrimination, communications and work reporting , gift giving ,product safety, employee-management relations, involvement in the political sphere, financial practices, corruption, conflicts of interest and responsible advertising. In general, the process to develop and implement codes of ethics follow a series of considerations and decisions, which for illustrative purposes, can be grouped into the following six phases:

1. ***Purpose:*** What objectives will the code of conduct serve and towards what end state will it be employed? Usually to answer such questions, companies conduct an ethical risk assessment as a means to decide how to get from the existing state to the desired ethical organization;
2. ***Form:*** Will the code be more directional or aspirational in form, or a hybrid of the two?;
3. ***Formulation Process:*** Once the purpose and form is determined by which process the code of ethics will be formulated, particularly with respect to the consultation and consensus building process with stakeholders to be affected by code of ethics;

4. ***Content:*** Entails the written of ethical dimensions that will form part of the company's ethical culture;
5. ***Tone:*** The tone with which the code is written and communicated plays a very important role in its effectiveness. The tone can range from a prohibitive to a more positive one that is supportive of its purpose; and
6. ***Implementation:*** Ensuring that the code of ethics becomes real in practice and across all business operations is not a one-time effort that remains a written expression destined for a glassed showcase (Sullivan 2009: 19-25).

Failure of Business Ethical Standard in Nigeria's Banking Industry

Banking business depends on trust necessitated by the complexity of the transactions and vulnerability of customers because of imperfect information (Donaldson 1989). While working under the principles of probability and productivity, banks are obliged to obey certain ethical principles of banking profession and organizational ethics, which include honesty, integrity, social responsibility, accountability and fairness (Souter et al. 1995: 603-611).

In Nigeria, there is outcry by customers of discrimination and falsification of information, particularly in the areas of advertisement and foreign exchange transactions. More so, the mad rush by banks to meet the new capital base requirements of N25 billion as directed by Central Bank of Nigeria (CBN), created a series of unethical and sharp practices in the industry according to the interim report issued by NDIC (Dogarawa 2004: 3).

The Central Bank of Nigeria (CBN) last year sacked the managing Director/Chief Executive and Executive Directors of five banks (Afribank, Finbank, Oceanic Bank, Intercontinental Bank and Union Bank) (Omo and Komolafe 2009). The CBN Governor, Mallam Lamido Sanusi said the bank officials were removed due to the high level of non-performance loans in the five banks which was attributed to poor corporate governance practice, lax credit administration process and the absence or non- adherence to the banks credit risk management practices. He said the CBN is also injecting N400 billion tier to capital into the five banks to salvage the financial conditions of the banks.

A review of the activity in the Expanded Discount Window (EDW) showed that four banks had been almost permanently locked in as borrowers and were clearly unable to repay their obligations. The fifth bank had been a frequent borrower when its profile ordinarily should have placed it among the net placers of funds in the market. Whereas the banks were by no means the only ones to have benefitted from the EDW, the persistence and frequency of their demand pointed to a deeper problem and the CBN identified them as probable source of financial instability, most likely suffering from deeper problems due to non-performing loans.

The impact of the situation of these banks was being felt by the market in different negative ways. Owing to this strain in their balance sheets, the banks pushed up the interest rate paid to private sector deposits and their competitors had to follow suit. They also contributed to the destabilization of the inter-bank market as many of their competitors were unwilling to take unsecured risk on them.

A special examination of a combined team of CBN and NDIC revealed that:

1. There was high level of non-performing loans in the five banks which were attributable to poor corporate governance practices, lax credit administration processes and absence or non-adherence to the banks' credit risk management practices. Thus the percentage of non-performing loans to total loans ranged from 19% to 48%. The five banks will therefore need to make additional provision for N539.09 billion.
2. The total loan portfolio of these five banks was N2, 801.92 billion. Margin loans amounted to N456.28 billion and exposure to Oil and Gas was N487.02 billion. Aggregate non-performing loans stood at N1, 143 billion representing 40.81%.
3. From 1 and 2 above, it is evident that the five banks accounted for a disproportionate component of the total exposure to Capital Market and, Oil and Gas, thus reflecting heavy concentration to high risk areas relative to other banks in the industry.
4. The huge provisioning requirements have led to significant capital impairment. Consequently, all the banks are undercapital-

ized for their current levels of operations and are required to increase their provisions for loan losses, which impacted negatively on their capital.

5. The five banks were either perennial net-takers of funds in the inter-bank market or enjoyed liquidity support from CBN for long periods of time, a clear evidence of illiquidity. In other words, these banks were unable to meet their maturing obligations as they fall due without resorting to the CBN or the inter-bank market. As a matter of fact, the outstanding balance on the EDW of the five banks amounted to N127.85 billion by the end of July, 2009. This represents 89.871% of the total industry exposure to the CBN on its discount window while their net guaranteed inter-bank takings stood at N253.30 billion as at 2nd August, 2009. Their liquidity ratios ranged from 17.65% to 24% as at 31st May, 2009; compared to the regulatory minimum, which is 25% (vanguardngr.com).

Effect of Poor Ethical Standards in the Nigerian Banking Industry

The effects of poor ethical standard in the Nigeria banking industry are explicated as follows:

DOWNSIZING AND INCREASED UNEMPLOYMENT

As a result of the crisis emanating from these bad practices by Nigerian banking sector, several employees lost their jobs. Report has it that some of the banks made these moves to reduce their overhead expenses so as to remain competitive most especially, as the public confidence in the sector was under threat. Most banks reduced their workforce by between 30 to 40 per cent, swelling the World Bank unemployment figure of 40 million or 28.6% of the 140 million populations. The implication is that with an average of 10,000 staff for each of the banks and given an average of 30% downsize, the Nigerian unemployment level swelled by 72,000 or 30% of the estimated bank labour force of 240,000.

Mostly affected are the troubled banks whose CBN-appointed Managing Directors were surprised at the outrageous overhead costs and the huge packages of their immediate predecessors. The newly appointed bank executives found it difficult to sustain the pay structure during this period as deposit mobilization by the marketing staff reached its lowest level in recent times. The consequence of this, investigations revealed, is a complete embargo on loans by banks and the consequent non-availability of fresh funds from the investing public. Meanwhile, the Nigerian Labour Congress warned against what it described as unlawful and illegal retrenchment in the nation's banking industry, saying it will take on the management of any bank where laid down procedures are not dully followed.

Crisis in the Stock Market

Shares of banks tumbled at the Nigerian stock Exchange (NSE) on the first day of trading after the announcement of the shakeup of top management of five banks and a N400 billion bailouts. In an apparent loss of confidence in the banking sector, investors offloaded millions of shares of listed banks, dragging the all-share index down by 2.5%. Trading in shares in the five ailing banks was suspended but other banking stocks fell, most of them by a maximum of 5%. Only six of the 200 listed companies saw price gains on the exchange rate, only one of them a bank stock. The shock was too much for the market to bear (Olowe 2009). From then the market continued going down and has not been able to regain until this moment. The share price of Diamond Bank fell fromN6.91 to N6.57, First Bank fell by 4.96%,that is from N14.90 to N14.16, Guaranty Trust Bank also shed from N13.24 to N12.58, Skye Bank came down from N5.23 to N4.97 while shares of UBS fell from N12.38 to N11.77. Zenith Bank's share price also came down from N13.04 to N12.39, while Unity Bank dipped from N1.29 to N1.23. Sterling Bank was the only bank that leaped from N1.39 to N1.45 at the close of trading (Abubakar and Ekundayo 2009).

The bear has continued to have the upper hand at the Nigerian Stock market since the Central Bank of Nigeria (CBN) sacked the management of Afribank plc, Intercontinental Bank plc, Union Bank of Nigeria Plc, Oceanic International Bank Plc and Finbank Plc, on August 14, 2010, over alleged discovery of questionable loans, which almost dragged them into insolvency.

Responding on the August 17, 2010, the first trading day after the development, the market major performance indicator; All-share index took a dive by 576.82 basis points to 23,661.03, representing 2.37 per cent loss while the market capitalization of all equities value (the total wealth of investors in the market) equally depreciated by N133 billion to N5.423 trillion, also a 2.37 per cent decrease. Altogether, index slumped by 910.81points or 3.75 per cent in the two weeks of the shake-up exercise, to 23,327.04 from 24,237.85 basis points.

DISCUSSION

Business ethics code as part of company policy is not being taken seriously by most of the operators in Nigeria's banking industry. Most banks do not have any formally appointed ethics committee and there is no compensation or rewards for ethical behaviour. In addition, there is no strict compliance with capable laws and regulations, effective management of the bank's resources and risk, and accountability of persons within the various organizations to the stakeholders in the banking industry. There are also some issues about the regulation framework which needs to be addressed - The Central bank of Nigeria and The Nigeria Deposit Insurance Corporation should be adequately staffed to facilitate the effective examination and monitoring of the various banks especially those that are becoming distressed. Institutional strengthening, Consumer education and managing consumer expectation should also be carried out. From the reaction of the market after decision to dismiss the banks chief by the CBN, it is obvious that business ethics is a viable tool for competitive advantage.

CONCLUSION

Managers operate in a complex environment. They are affected by and to some extent, influence by the environment. Managers 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. Ethics deals with what is good and bad as well as with moral duty and obligation. One other factor that raises ethical standards is whistle-blowing. The legal and regulatory framework within the national context set the minimum standard of acceptable conduct in doing business and reflects what society holds as fair and appropriate behaviour by all types and sizes of firms. Thus, compliance with national laws is the starting point for doing the right thing by private sector organizations. Government as the regulatory agency in the banking sector should ensure that operators adhere strictly to lay down procedures of doing business in the country. Defaulters should be dealt with effectively and those that conform to the norms should be adequately compensated and rewarded through tax breaks and import duty waivers.

There should be more commitment from the various stakeholders in the industry to ensure the propagation of ethical business practices. This will also ensure that transactions are carried out in the correct manner, in addition to the fact that it will improve customers' loyalty for those firms that put it into practice, at competitive advantages.

RECOMMENDATIONS

Based on the findings and the need for stakeholders involved in Nigeria's banking industry to appreciate the necessity for proper ethical standards to be put in place and implemented effectively, the following recommendations are hereby proposed:

- Chief Executives and the board/Management should ensure that there is a code of ethics in their various organizations and also device ways of making them work through punishment for defaulters and reward those who are compliant.
- Organizations 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, organizations should arrange for their own assessments to be contributed to and challenged by key stakeholders or partners (for example, unions , service users) and regulators.
- Organizations should review the quality of their external communication about their performance in order to promote open and honest communication of the true performance, rather than 'spin'. This will help them to build trust with the public in the longer term and enable them to reduce the

impact of negative events on their relationship with users and citizens.

- Regulators on their part should ensure proactive policy making process and monitoring of ethical standards and practices in the industry and at the same time, ensure the effective enforcement of penalties on defaulters.

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