ECONOMIC ANNALS, Volume LVII, No. 195 / October – December 2012
UDC: 3.33 ISSN: 0013-3264

DOI:10.2298/EKA1295115B

*Jaroslav Belás**

SOCIAL RESPONSIBILITY AND ETHICS IN THE BANKING BUSINESS: MYTH OR REALITY? A CASE STUDY FROM THE SLOVAK REPUBLIC**

ABSTRACT: *The aim of this article is to examine the social context of the banking business and to define the basic attributes of corporate social responsibility and ethics in commercial banking. One part of the presents the results of the author's empiric research into the moral attitudes of bank employees in the Slovak Republic. The importance of ethical standards for financial markets is based on the purpose of commercial banks and other financial institutions, which operate with the money of others. The financial crisis has revealed other significant economic implications, and the considerable lack of moral values in commercial banking has been reflected in bankers' unscrupulous approach to their clients. The crisis has also caused a fundamental turnaround in public opinion towards commercial banking and has increased the pressure to apply moral principles, which represent an appropriate complement to banking regulation. The results of our research show a low level of employee loyalty in the banking sector of the Slovak Republic. This paper can serve as an inspiration for future economic and sociological research by emphasizing the fact that pursuit of profit can be compatible with added social value.*

KEY WORDS: *social aspects of banking; corporate social responsibility in the banking sector; ethical banking; moral attitudes of bank employees*

JEL CLASSIFICATION: G21, Z13, M14, M12

* Faculty of Management and Economics, Tomas Bata University in Zlín, Czech Republic
E-mail: belas111@gmail.com

** This paper was supported by Project No. IGA/FaME/2013/010: Satisfaction mirror effect and bank financial performance.

1. INTRODUCTION

The economic activity of individuals and companies takes place within a social system. According to Hofreiter, economic sociology emphasizes that economic life be constantly placed in a social and cultural context. The concept of placing economic action in a social and cultural context is a suitable alternative to economic individualism and rationality (2011, p. 530).

In economic theory a technocratic perception of the market prevails. According to Lisý et al, the market allows the most efficient allocation of the production and utilization of scarce resources in an economic context, but the profit motive of the market mechanism leads to devastation of nature and ruthless social consequences. The market mechanism is "socially blind" and market imperfections require government intervention in the economy (Lisý et al., 2007).

The financial market performs the key economic function of transferring money from those who have saved a surplus from spending less than their income to those who have a deficit due to spending more than their income (ECB, 2001).

In the process of production, distribution, and realization of gross domestic product (GDP) complex monetary transactions are performed in the economy, through which the money supply of individual economic subjects is changed and the needs of individual subjects are satisfied, by consuming components of GDP. Based on market mechanism principles, the role of money in the process is to assign adequate tangible and intangible portions of GDP to each economic subject, on which his/her personal participation in the process is based (Belás, 2010).

Hofreiter argues that modern society leads to the creation of new situations of uncertainty through the impact of new technologies and products, due to changing commodity and cash flows in the economic sphere. This process may not lead to the formation of the most efficient, fair, and economically profitable process, but it does lead to the formation of social tools that mitigate uncertainty, which is determined by social structure, distribution of society's power, culture, and ideology (2011, p.537). These attributes are reflected in the financial system by an information asymmetry, which leads to adverse selection and moral hazard (Polouček, 2006).

The financial crisis has focused public attention on the financial industry (San-Jose, Retolaza and Gutierrez-Goria Goire, 2011; Tea, Paulišič and Krstinič-Nižič, 2011, p. 251), because the failure of commercial banks has been transferred to the real economy and the quality of hundreds of millions of people's lives around the world has decreased, due to higher unemployment as a result of reduced global consumption. The moral failure of participants in the financial system played an important role in this process (Graafland and Van de Ven, 2011, p. 605; Fassin and Gosselin, 2011), and mostly the total lack of decency in relation to customers and society (Chatterjee and Lefcovitch, 2009).

Paradoxically, the current economic crisis was created in a sector that is highly regulated. With the impact of the global crisis, regulatory authorities gradually tightened banking regulation (Basel Committee on Banking Supervision, 2010; 2009). Conditions in the credit risk of the banking sector due to the adverse economic developments have also been aggravated. These factors create enormous pressure on the performance of the banking sector and can decrease financing of firms and households and so have a negative effect on economic growth (Blundell-Wignall and Atkinson 2010; Härle, Heuser, Pfetsch and Poppensieker, 2010).

The aim of this paper is to examine the social context of the banking business, to define the basic attributes of corporate social responsibility (CSR) and ethics in commercial banking, and to analyze relationships and morale in the banking business. The paper also presents the results of the author's empirical research on the moral attitudes of bank employees in the Slovak Republic, and how these attitudes have changed under the influence of the financial and economic crisis.

The research methodology is based on a critical analysis of domestic and foreign literature sources, and on questionnaire research and structured interviews. The critical analysis focused on those publications that explore the social context of economic processes and ethics in the banking business, rather than on the typical economic publications in the field of commercial banking.

Relations with employers and customers are key parameters of CSR and ethical banking. In the empirical research in the Slovak Republic we investigated selected moral attitudes of bank employees and how they changed due to the crisis.

2. PROBLEM FORMULATION

Commercial banks are financial intermediaries that play a significant role in national and international economies (Icke, Caliskan, Ayturk and Icke, 2011, p. 289), whose power affects the social system (Van Nimwegen and Van Luijk, 2004, p. 101).

Rose (2012) defines banks as the most important financial institutions in the economy, which accept deposits, provide loans, and offer the widest range of services of all financial institutions. A bank is perceived as an important economic entity that plays no part in the shaping of the social system.

The banking system is determined by factors that significantly affect the business area of commercial banks, such as credibility of the banking sector, money as a line of business, and the atypical balance sheet of commercial banks. These factors are the main reasons for the strict regulation of the banking sector. (Belás, 2010)

Commercial banks operate with the money of their depositors and other creditors that are traded on the financial market. This money is usually guaranteed by the state, resulting in the bank operating as "certain kind of public equity". In this context the trustworthiness of the banking sector is particularly important.

An important particularity of the commercial bank's activities is the structure of the balance sheet of assets and liabilities, because it is clearly dominated by sources from 3rd part that are preferentially accumulated by households in the form of small deposits. Therefore the commercial bank operates with the money of its depositors on their account and at their risk while trying to maximize leverage. In the standard commercial bank, leverage (the ratio of total assets to equity) is around 5%, which has a very strong effect. Therefore an atypical balance in a commercial bank is a great challenge for the bank's management and the political system, because the collapse of large banks or any commercial bank can cause massive social turbulence. The atypical and significantly asymmetric balance of commercial banks is inherent in the system and represents the most significant risk in the banking sector: no bank can be completely protected from financial shocks. This issue cannot be solved optimally, with the result that systemic risk is constantly present in the banking system. Evidence of this is the fact that intense turbulence is still generated in the strictly regulated banking industry, affecting the economic and social system. (Belás, 2010)

Mejstřík, Pečená and Teplý (2008, p.200) present a specific property of banks, their safety net, which includes government guarantees of the banking business in the form of deposit insurance, the function of the central bank as a lender of last resort, and the doctrine of 'too big to fail'.

If we accept the argument that banks have a specific position in the socio-economic system, it is necessary to examine the issue of commercial banking in the broader economic and social context, and to require a higher level of social responsibility and the application of a higher level of moral principle in the banking business.

2.1. Corporate Social Responsibility, Ethics, and Banks

Managers and their firms are not isolated from society. CSR is a concept that has been discussed for a long time but has become very popular in the financial sector during the crisis. CSR includes the economic, legal, ethical, and philanthropic expectations that society has in relation to companies (Classon and Dahlstrőm, 2007; Cheng, Ioannou and Serafein, 2012; Yeung, 2011; McDonald and Rundle-Thiele, 2008). Companies are seen as human communities using social practices to achieve common social objectives. These objectives are implemented through a relationship of trust and authentic relationships with customers. The most important ethical principles supporting the "good life of customers" are: client autonomy, dignity, honesty, and respect for the vulnerability of the client, and represent the basic prerequisites for good access to customers (Rendtorff and Mattsson, 2011, p. 39-40).

Yeung (2011) defines key elements of CSR in the banking sector: understanding the complexity of financial services, risk management, strengthening ethics in the banking business, strategy implementation during the financial crisis, customer protection, and establishing channels for customer complaints. According to Heskett (1994) profit and company growth are primarily stimulated by customer loyalty, which is formed by customer satisfaction. Customer satisfaction is determined by service quality, which is created by satisfied, loyal, and productive employees – the 'service-profit chain' effect. Many other authors have analyzed the service-profit chain effect. (Yee, Yeung and Cheng 2010; Gelade and Young 2005; Kamakura et al, 2012; Saura et al, 2005); and Walker, Smither and Waldman (2008) argue that a high rate of customer satisfaction is extremely important in retail banking because it represents the only form of differentiation from competitors. A positive change in leadership and firm culture can lead to a positive change in satisfaction and, in turn, to the profitability of individual customers. According to Graafland and Van de Ven (2011, p. 616), emphasis on the social responsibility of banks requires the increased professionalism of those who work in the financial sector, a stronger focus on ethical codes, personnel skills verification, and other approaches such as transparency, a focus on the interests of stakeholders, and cooperation with social institutions.

Robin states that a company likes an efficient economic system that creates opportunities for the growth of economic prosperity and for people to have a happy life. The mission of ethics is to minimize the abuse of company power in the relationship of mutual exchange, and to reduce negative impacts on people's daily lives. A fundamental question for business ethics is how to make capitalism more ethical. An important part of this analysis understands the nature of trade relations with stakeholders. For all business participants, a sense of their own profit from these relationships prevails, which is a win-win situation (customers buy products that they believe are better value; employees work for companies because they expect higher value than pay; society demands a similar relationship with companies). On the other hand, within these relationships there are firms that expect more profit from their relationships with stakeholders than the actual price. Although the exchange relationship constitutes the free choice of each participant, there are large differences between the companies' power and stakeholders' power (gaps in knowledge, information etc.). For this reason the application of business ethics in combination with state legislation is required. According to Robin the two basic dimensions of relationships with stakeholders are honesty and respect (2008).

The aim of ethical banking is to achieve economic benefits while including social goals, which are both relevant to the socio-economic system. (San-Jose, Retolaza and Gutierrez-Goiria, 2011, p. 152; Icke, Caliskan, Ayturk and Icke, 2011) According to these authors, traditional banks integrate the ethical and social aspects through CSR.

2.2. CSR and Ethics in the Banking Business. Myth or Reality?

CSR is a concept that has been developed over time. In recent years this idea has bloomed, although not necessarily as real experience. Firms increasingly provide information about their CSR activities - policies and processes that create social responsibility - but the ethical and practical implications have been minimal. (Humphreys, 2008, p. 415)

According to Sigurthorsson (2012), the risk of CSR is that it tends to become an excuse for soft laws and corporate self-regulation. In Iceland banks realized their vision of social responsibility through financial support of charitable events and reduced CSR to a public communications tool, while not paying attention to the formation of socially responsible practices. Socially responsible business practices should focus more on processes that lead to the creation of socially responsible profit and not to socially responsible distribution of this profit. Fassin and Gosselin argue that large institutions such as Fortis, Arthur Andersen & Co, and AIG, had strong CSR and ethical cultures, and failed anyway. These cases show the discrepancy between official statements and the proceedings of top management. Failure of management and ethics can lead to strategic mistakes with fatal consequences for the company. These cases and the global financial crisis highlight the need for strong ethics and responsibility in company management (211, p. 187). According to Palomino and Martinez (2011), the efficiency of ethics programs differs according to the bank. Some programmes are primarily focused on achieving a favourable image in relation to socio-economic institutions (government, media, society, customers) and have a significant impact on employee ethics.

According to Gibbons (2011), many banks do not act transparently in Great Britain where the scope of information provided is insufficient compared to other European countries: quality information for people who are in financial difficulties is absent, etc. Tea, Paulišič and Krstinič-Nižič (2011) evaluated ethical aspects of banking in Croatia and found that the banking culture lacks honesty, awareness, responsibility, creativity, objectivity, and professionalism. The moral code does not contain rights and obligations for employers and employees, ethical principles in marketing and advertising, ethical aspects of price setting, or corporate responsibility towards society and the environment.

Watkins argues that banking is a typical capitalist activity aimed at making profit. Laissez-faire policy allows individuals and companies to seek to increase their financial fortune without any limitations. The financial market presents unlimited opportunities for fortune growth. These factors operate more intensively if profitable opportunities grow in the economy. For example, Goldman Sachs is involved in ethically problematic activities that generate enormously high profits (2011, p. 366). According to Chatterjee and Lefcovitch (2009), the dilemma lies in the fact that corporate responsibility (profit maximization) is more important to company managers than the concept of CSR. The principal responsibility of managers is to their shareholders. Managers are satisfied if the minimum level of CSR required by law is achieved. Banks are predominantly oriented to maximizing profits and can be totally ruthless in their operations regarding depositors, investors, and the general public interest. Banks violate the law, regulatory rules, and ethical codes in an attempt to maximize their own profit. According to Fassin and Gosselin (2011, p. 187), the more bankers talk about social responsibility the more they focus on increasing shareholder value, their own personal bonuses, and, after the financial crisis, securing their "golden parachutes".

For Chatterjee and Lefcovitch (2009) the importance of ethical standards for the financial market consists in the fact that financial markets operate with the money of other owners, and risk may generate profit as well as losses. Too high risk must be minimized for two reasons: confidence in investment must be maintained and the undertaken risk must not be a dangerous investment. The downfall of banks is usually caused by bad-risk investments. In this process expectations of extremely high profit have a dazzling effect on bank managers and the selfish interests of banks dominate in their proceedings. Public interest is relegated to the sidelines. Rendtorff and Mattson indicate that banking ethics are all about good customer relations (2011, p. 39). Customer satisfaction is determined by employee satisfaction, i.e., the "satisfaction mirror effect" (Maddern, Maull and Smart, 2007; Babakus, Yavas, Karatepe and Avci, 2003). The following authors write about factors of and approach to creating employee satisfaction: Bhutto, Laghari, and Butt, 2012; Bloemer and Odekerken-Schrőder, 2012; Coelho and Augusto, 2010; Emery and Barker, 2007; Matzler and Renzl, 2006; Saari and Judge, 2004; Singh, Nadim and Ezzedeen, 2012; Lages and Piercy, 2012; and Wang, Shieh and Tang, 2010.

In practice, in achieving the bank's objective, insufficient attention is given to the correct approach to clients. This was confirmed by Greg Smith, manager of Goldman Sachs, the largest investment bank in the world, who in March 2012, on his departure from the bank, said "that he always took care to advise (Goldman Sachs') clients what he considered for them to be correct, even if it meant less money for the company. That view of the matter, however, is in Goldman Sachs increasingly unpopular" (Nemec, 2012).

It is important to examine the moral attitudes of employees, because in the context of the economic system they can create suitable conditions for the successful operation of the bank in a competitive market environment. Personal productivity is formed to a significant extent by the relationship between employer and customer, which determines the level of work quality in all areas of the bank and potentially increases financial performance. These attitudes also shape the social system in which banking business actors operate.

Banks in the Slovak Republic (as well as in other countries) have their own ethical code by which they undertake to offer only services that meet customer requirements and interests, and to not offer services that clearly do not meet their needs. (Slovenská banková asociácia, 2007) What is the reality? This question will be examined in our research.

3. METHODOLOGY AND RESEARCH RESULTS

The attitudes of commercial bank employees in the Slovak Republic were examined through a questionnaire and structured interviews. A questionnaire survey was first carried out in 2008, before the crisis, on a sample of 49 respondents. 61% of surveyed employees in Slovakia said that their employment in banks was longer than five years, 16% said that that their employment was less than one year, 6% said less than three years, and 17% of employees said up to five years. The research results were verified through structured interviews with ten bank managers who worked in middle or top management in the Slovak Republic.

In 2012 the questionnaire survey was repeated on a sample of 116 respondents. In this research 35% of respondents had worked in banks for up to one year, 22% up to three years, 17% up to five years, and 26% for more than five years. The research results were compared with the opinions of thirteen managers.

The statistical units are independent, because the surveyed respondents were completely different in both conducted researches.

Generally, banks in the Slovak Republic are unwilling to provide information through official channels. Therefore the questionnaires were completed during training events for employees in the banking sector, which is why the number of respondents is limited. The questionnaires were anonymous and respondents could answer truthfully without any sanctions or penalties. Structured interviews were conducted following the author's personal relationships with selected bank managers.

The results of the questionnaire surveys on attitudes of bank employees in Slovakia were compared with the results of a questionnaire survey completed by bank customers. Research on customer satisfaction in the banking sector was carried out in 2008 on a sample of 298 respondents, 44% men and 56 % women. The family situation of the respondents was as follows: 52% were single, 15% of men and 26% of women were married (a total of 41% married respondents) and 7% of them indicated other family status (divorced, widowed). 60% of respondents were employed, 9% of them were unemployed, and 31% were students, retirees, and entrepreneurs. The age of the respondents was as follows: 51% were under 30 years, 32% were between 30-50 years, and 17% were over 50 years. Regarding their educational level, 3% had primary education, 64% had secondary education, and 33% had a university degree.

In 2012 this research was repeated on a sample of 320 respondents, 45% men and 55% women. Family status was as follows: 28% were single, 27% of men and 38% of women were married, and 7% said other family status. 89% of respondents were employed, 5% unemployed, and 6% were retirees or students. In age structure 23% of the respondents were under 30 years, 59% were aged 31-50 years, and 18% were over 50 years. Regarding educational level, 6% had primary education, 48% had secondary education, and 46 % had a university degree.

The statistical units are independent, because the surveyed respondents were completely different in both conducted researches.

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%.

Research results from 2008 were compared with results from 2012 through two- proportions z test. It was assumed that there was a random selection of the range of n_1 from the double categorical population with the proportion of p1, and random selection of the range of n_2 from the double categorical population with the proportion of p_2. The selections were independent and the sample sizes were large. For the test to compare two units of double categorical population, the null hypothesis was worded: $H_0 : p_1 = p_2$. If this hypothesis is correct then $p_1 - p_2 = 0$ and in the assertion of the difference of the two sample units (independent samples) the normalized random variable is as follows:

$$U = \frac{\hat{p}_1 - \hat{p}_2}{\sqrt{p(1-p)/n_1 + p(1-p)/n_2}}, \tag{1}$$

where p denotes the common value of p1 and p2.

If the realised value of the test statistic is greater than the critical value (quantile of the standard normal distribution u1−α/2) the null hypothesis will be rejected. In this case that would mean a difference between the replies to the questionnaires. Calculations were performed in the XL Statistics program. For a nominal significance level α = 0.05; if an achieved minimum level of significance was less than α, the null hypothesis H_0 is disproved.

The level of employee loyalty is determined by their satisfaction. Loyal employees generally have better acceptance of customer needs in the bank than disloyal employees. Employee satisfaction was investigated through two questions focusing on the acceptance in the management process of employees' opinions and the willingness to change employer in the Slovak banking sector.

The research shows that, in 2012, 65% of bank employees reported that managers listen to their ideas, observations, and comments and try to accept them; 30% of bank front office employees said that their leaders listen to them but do not accept anything; and 5% of bank workers are afraid of presenting their comments for fear of losing their jobs. In the comparison with 2008 the situation in this area had deteriorated: in 2008 73% of respondents reported a positive acceptance of their ideas for improving the management process and only 18% said that their top managers did not accept their opinions (in 2008, 7% of respondents had concerns about presenting their comments and 2% said that managers do not even hear their opinions).

In the research we were interested in how banks' front office employees would react to an offer of a salary increase of 10% from another bank (a salary increase of 10% is considered to be relevant in relation to this research because it does not constitute a big difference: the aim was to test employees' satisfaction in the company). In 2012, as in 2008, the largest number of respondents considered this offer to be unattractive (70% of respondents in 2012 compared to 66% in 2008). During the crisis the employees' attitude has changed in response to this question. In the case of an offer of a higher salary in 2008, bank employees would not have left their current job because they felt good in the bank, but in 2012 the number of respondents who answered a particular question in a certain way decreased to 9%. In 2008 8% of employees would have left immediately because of this salary offer but only 4% of respondents would have done so in 2012. The number of employees who did not envisage this issue significantly increased (4% in 2008 and 17% in 2012).

Employee satisfaction is determined by employee loyalty. Results of the examination of employee loyalty are listed in Table 1.

Table 1: Loyalty of bank employees in the Slovak Republic.
Source: Author's survey.

How would you express your feelings towards the bank?	2012 in %	2008 in %	p-value
1. I am proud of the bank I work for	13	37	**0.000443**
2. If they pay me well, other factors do not matter	22	24	0.778946
3. The bank is indifferent to me	9	8	0.835057
4. I do not think about it	56	31	**0.003327**
$\chi 2$ = **14.4244**	p-value = <**0.01**		

Source: Author's data and calculation

Value of $\chi 2$ test statistic as well as p-value indicates the overall change in sales clerks' attitudes. The numbers of bank employees who are proud of their banks has rapidly decreased.

The research results indicate that employee satisfaction has significantly reduced due to the financial crisis. The level of bank employees' loyalty to their employers in the Slovak Republic is low and the crisis brought a negative change in this attitude.

The next phase of the research examines the acceptance level of customers' needs by bank employees in the sales process. The moral attitudes of product sales clerks were obtained through two questions. We were interested in what they focus on when selling products and what they do if a client chooses the wrong product. Results are shown in Table 2 and Table 3.

Table 2: Measurement of morality in selling bank products and services

When doing business you focus primarily on?	2012 in %	2008 in %	p-value
1. making the client feel that his/her bank sells the highest quality product possible	35	43	0.331783
2. trying to sell for the highest price	17	2	**0.007862**
3. trying to sell regardless of price	4	7	0.414274
4. only selling a product which is suitable for the client	44	46	0.813312
5. no response to this question	0	2	0.126587
$\chi 2$ = **9.576**	p-value = **0.03579**		

Source: Author's data and calculation

Value of $\chi 2$ test statistic as well as p-value show the overall change in sales clerks' attitudes. The number of sales clerks trying to sell bank products at top prices has significantly increased.

The following question was the real test of the moral quality of bank's front office employees: If you believe that your client has chosen the wrong product, what do you do? Results are shown in Table 3.

Table 3: Measure of morality in selling bank products and services

If you felt that the client had chosen the wrong product, what would you do?	2012 in %	2008 in %	p-value
1. If s/he was free to choose, I would sell her/him the product	30	4	**0.000245**
2. I would sell the product and gently draw her/his attention to possible risks	48	35	0.124390
3. I would explain to her/him the disadvantages of the selected product and offer her/him another suitable product	22	53	**8.6E-05**
4. I have no solution to this problem	0	4	**0.030237**
5. I do not know	0	4	**0.030237**
$\chi 2$ = **31.7385**	p-value = < **0.01**		

Source: Author's data and calculation

Value of $\chi 2$ test statistic as well as p-value confirms the change in attitude of sales clerks who increasingly accept the purchase of inappropriate products by clients.

The number of sales clerks who accept the free choice of the client significantly decreased. The number of sales clerks who try to help a client in the case of adverse selection has also significantly decreased.

These results were compared with the feelings of bank clients in the Slovak Republic when communicating with the bank. Results are shown in Table 4.

Table 4: Clients' feelings when communicating with bank

Do you feel that your bank is interested in solving your financial issues or only in selling something?	2012 in %	2008 in %	p-value
1. Bank is very interested	13	4	0.06878
2. Bank is sometimes interested	31	30	0.98150
3. Bank is absolutely not interested	11	16	0.32860
4. Bank wants only to sell something and earn money	31	33	0.66500
5. I cannot judge	14	17	0.56710
$\chi 2$ = **18.8555**	p-value: <**0.01**		

Source: Author's data and calculation

In 2012 clients felt an increased interest from banks in solving their financial issues. Despite this fact, only 13% of respondents said that their bank is very interested in them. Almost one third of clients still believe that their bank is just trying to sell something and earn money. The proportion of all clients who think that their banks are interested in solving their financial needs is lower than 20% ($\chi 2$=9.0283, p-value=0.001329).

The research has shown that bank front office employees in the Slovak Republic have a relatively low moral attitude. It can be assumed that the low level of bank employee loyalty has been transferred to a low acceptance rate of customer needs. Bank employees are not motivated to form long-term relationships with customers through a high level of acceptance of their financial needs, due to the high employment turnover rate.

The research results were compared with the opinions of bank managers working in the headquarters of Slovak commercial banks. The aim of this approach was to verify the knowledge gained by the questionnaire survey.

According to bank managers, a significant issue in commercial banking is the low level of loyalty and high turnover rate of sales clerks. During structured interviews ten banks managers confirmed trends of low loyalty and high employee turnover, while three expressed a different opinion. According to managers the turnover rate ranges from 10%–17 %. The reason for this is seen as the high level of worker dissatisfaction, which is caused by low pay and intense pressure to sell products. Banks justify the low wages by relatively cheap labour (in terms of required training) and therefore its easy substitution. According to their responses, the 'life' of the employee in the bank is around three years. The crisis has caused increased pressure on workers' productivity growth, which individual banks quantify as ranging between 10% and 30%. Banks are aware of the need to stabilize employee retention. Some of them stated that a new system of benefits for employees has been implemented, or they try to promote employees from the branch to the head office of the bank. Some banks have introduced financial penalties for early retirement from employment (employees must pay back training costs).

In the structured interviews the bank managers also emphasized the importance of employee cost optimization with regard to a massive form of sales of banking products in retail banking. The retail bank therefore gives priority to cost minimization before better care of employees or possible product individualization and long-term relationships with clients.

The bank managers admitted that intense selling pressure can in some cases result in an incorrect approach of bank front office employees to solving customer needs. Two banks managers said that this factor is important and has a significant impact on customer satisfaction, two said that this factor may affect customer satisfaction, and nine bank managers thought that this factor has only a minimal impact on customer satisfaction with the bank.

4. DISCUSSION

In the context of financial crisis, the discussion of the moral aspect of banking has become more intense. Banking is often considered an amoral area (Icke, Caliskan, Ayturk and Icke, 2011, p. 291), which is primarily focused on risk and revenue. Paulet argues that banking is not an ethically free zone. According to him the financial crisis has shown that aggressive capitalism has demonstrated its limits, and it is necessary to add transparency and moral aspects to the regulation of the banking system. Development of a sustainable strategy means defining capitalism in a new way through a criterion of efficiency that focuses not only on financial performance but also on economic and social conditions that guarantee a better distribution of wealth (2010, p.298).

In the historical context it should be remembered that the largest Slovak bank underwent the privatization process, which has produced positive effects in banking stability and performance, an expansion of a wide range of banking products, and a strong focus on retail clients.

However, the impact of the privatization process on the social system and the application of ethical approaches in banking have not been so positive. Our research, as well as other findings, tends to the conclusion that system care for employees has significantly deteriorated, due to intense pressure to sell products, the cancellation of a number of social benefits, and the reduction of the reassurance of job retention in the terms of privatized banks. This trend was clearly confirmed in the survey by bank employees who had worked in both state-owned and private banks, A side effect of privatization has been a resolute decrease in the number of employees in Slovak banks (Lučkaničová, Ondrušeková and Rešovský, 2012).

The privatization process of the Slovak banking sector has resulted not only in the reduction of social benefits, but also in a negative assessment of its leadership style. Other research has shown that the preferred style of leadership is prescriptive. Despite managers' conviction that this style is effective, our research has shown that it results in significantly lower productivity and lower employee satisfaction. According to our research from 2012 in the banking sector of the Slovak Republic, a prescriptive leadership style definitely predominates and results in a lower level of employee satisfaction and, paradoxically, a higher productivity reserve of sales clerks. In our research 77% of branch managers signed up to the directive style of leadership. The calculated sales clerk satisfaction index of 0.39 points to low satisfaction in the banking environment. Despite an increase in work intensity during the financial crisis, 78% of sales clerks stated that their work productivity would increase by more than 10% if there were better care by managers (in 2008 the proportion of respondents who expressed reserve about their productivity was only 61%). A surprising result was that 30% of respondents admitted productivity reserves of at least 30%.

The low quality of human resource management in privatized banks in the Slovak Republic can be illustrated by a few cases. Unofficially leaked information from one bank revealed that the management decided to fire all front-office staff over 40 years of age and had no interest in other long-term and high-quality employees. Within two years in one branch of this bank all employees were replaced, by a method that still causes anger. The management of another privatized bank has considerably preferred employees who speak the language of the bank's shareholders (but not English, which is the norm in the bank). The social impact of privatization on employees has been intense and the way new managers cope with it cannot be assessed favorably. Ironically, many 'professionals' and the media in the Slovak Republic have taken to this process with great enthusiasm.

According to several authors' research results, morality (in relation to clients) may be higher in state banks than in private banks, (Icke, Caliskan, Ayturk and Icke 2011; Chatterjee and Lefcovitch 2009). The efforts of many politicians to solve the debt crisis in the euro zone by a massive privatization of firms (including banks) appear paradoxical. Sigurthorsson (2012) states that after the privatization of Icelandic banks there was a massive increase in the number of banks, which led to the banking crisis in Iceland. It seems that each privatization wave is the 'solution' to some problems while causing many others. (Vujačić and Petrovič-Vulačić, 2011; Donlagić and Kožatić, 2010)

Our research confirmed that managers of private banks put intense pressure on front office employees, which gets translated into an incorrect approach to clients. The employee of one important commercial bank who takes care of retail clients has expressed it eloquently: "We are forced to sell products regardless of clients' needs through a hard sales plan." According to her, failure to fulfil the sales target will usually lead to dismissal from the bank. This management approach has also been confirmed by other bank employees. One worker gave an example where her colleague persuaded a client to use the overdraft limit on his current account (a special form of loan in the Slovak Republic) to invest in mutual funds of the bank, which meant a loss of about 5% per year. In the interviews bank employees gave other examples of where they and their colleagues absolutely did not care about clients' interests and tried to sell them unfavourable products in order to meet sales targets.

Bank employees are not loyal to their employer, and this attitude does not even seem to be one of the priorities of bank management. According to Kocianová, top managers are expected to be able to lead employees to implement knowledge, to gain and retain employee loyalty, and to manage and organize (2012, p. 67). The situation in the Slovak banking sector is the opposite. Workers often change their jobs, are not satisfied, and management principles and the methods of their superiors are transferred to bank customers.

The crisis has caused a fundamental change in public opinion regarding commercial banking and has significantly increased the pressure to apply ethical approaches to banking. Authors such as Paulet (2011), Graafland and Van de Ven (2011), Chatterjee and Lefcovitch (2009), and Robin (2008) define the barriers and criticize the weaknesses of free competition in Anglo-Saxon capitalism, and emphasize the importance of moral aspects in the context of regulation of the banking sector (Tea, Paulišič and Krstinič-Nižič, 2011). San-Jose, Retolaza and Gutierrez-Goiria (2011) argue that morality can represent a significant strategic advantage for the bank, because banks with a high level of morality did not purchase toxic assets and therefore avoided major financial difficulties during the crisis.

The crisis has clearly demonstrated that the banking sector is not independent of the government because of its regulation, which is socially and politically necessary. Regulation determines the existence of the banking business through its state guarantee systems. On the same level of simplification it can be said that commercial banks do business on their own account with sources from 3rd part which are guaranteed by the state, creating a *private-public hybrid*. In the final analysis, those who are responsible for the management of bad (usually large) banks are citizens (taxpayers), because they have to pay the debt of commercial bank by their taxis. The ideas, attitudes, and opinions of some economists about privately owned commercial banks are not justified in this context and would become acceptable only if banks were to voluntarily give up the system of state guarantees and inform the general public that this was so. This would, however, significantly worsen their position with creditors and the possibility of achieving adequate performances, and banks would have to establish their own robust and functional guarantee system. Negative experiences of state banks in the Slovak Republic and other countries do not and cannot provide criteria for evaluating the ownership structures of commercial banking (the possibility of the existence and necessity of state banks is directly proportional to the political culture and morality that governs a country). Opinions on additional forms of government regulation (regulation of top managers' salaries, the possibility of additional taxation of banks, etc.) are equally justifiable in this context. With regard to the negative impact of the global and financial crisis, it can be assumed that politicians under public pressure will put much more pressure on their enforcement about the implementation of bank regulation.

5. CONCLUSION

The concepts of CSR and ethical behaviour in business are not new, but they are now becoming particularly relevant because the crisis has significantly highlighted the need for the integration of moral principles in business.

Are CSR and business ethics myth or reality? Knowledge of business practices shows that the acceptance of moral principles in business is not integrated into the management decisions of firms, and it cannot be expected that that self-regulatory ethical business tools (such as CSR) will be effective.

From the perspective of bank management, ethics and the social responsibility of banks are perceived as useful marketing tools for communicating with the public and are not integrated into the policies of individual commercial banks. The experience of the crisis demonstrated a lack of moral principles in decision-making processes.

Substantial aspects of banks' moral behavior are the approach of bank managers to their employees and the approach of bank employees to customers' financial needs, the subject of our research into the banking environment of Slovakia. The results of our research confirmed that the loyalty of bank employees in Slovakia has significantly decreased during the crisis. Attitudes of bank staff have changed, to the detriment of clients, during the crisis. The number of employees who try to sell banking products for higher prices has increased. The number of sales clerks who offer appropriate products to the client in the case of adverse choice has decreased. Clients of commercial banks in Slovakia experience a low level of interest in solving their financial needs.

Empirical research has focused exclusively on an area of bank management that is difficult to access from the academic point of view. Despite the limited sample of respondents - bank employees - this research has produced interesting results for improvement of bank employees' work and of the formation of appropriate approaches to client needs in the commercial banking sector, which could lead to an increase in banks' financial performance.

The presented results of the theoretical analysis and empirical research can serve as a model for future research in the socio-economic area, because a combination of economic and sociological approaches was used. This method can significantly enrich economic and sociological theory and produce positive synergies for the examination of economic, sociological, and practical activities in society.

REFERENCES

Babakus, E., Yavas, U., Karatepe, O. M. & Avci, T. (2003). The Effect of Management Commitment to Service Quality on Employees´Affective and Performance Outcomes. *Journal of the Academy of Marketing Science*, pp.272-286. Retrieved from http:// dx.doi.org/10.1177/0092070303031003005

Basel Committee on Banking Supervision. (2009). *International framework for liquidity risk measurement, standards, and monitoring*. Basel: Bank for International Settlements.

Basel Committee on Banking Supervision. (2010). *A global regulatory framework for more resilient banks and banking system*. Basel: Bank for International Settlements.

Belás, J. (2010). *Management komerčných bánk, bankových obchodov a operácii*. Žilina: Georg.

Bhutto, N. A., Laghari, M. K. & Butt, F. D. (2012). A Comparative Study of Organizational Climate and Job Satisfaction in Public, Private and Foreign Banks. *Asian Social Science,* 8 (4), pp. 259-267. Retrieved from http://dx.doi.org/10.5539/ass.v8n4p259

Bloemer, J. & Odekerken - Schrőder, G. (2006). The role of employee relationship proneness in creating employee loyalty. *International Journal of Bank Marketing*. 24 (4), pp. 252-264. Retrieved from http://dx.doi.org/10.1108/02652320610671342

Blundell-Wignall, A. & Atkinson, P. (2010). Thinking beyond Basel III: Necessary solutions for capital and liquidity. *OECD Journal: Financial Market Trends*. l. 2010 (1).

Classon, J. & Dahlstrőm, J. (2006). *How can CSR affect company performance? A qualitative study of CSR and its effects*. Karlstads Universität: Business Administration Master Thesis. Retrieved from http://www.kau.diva-portal.org/smash/get/diva2:6476/FULLTEXT01

Coelho, F. & Augusto, M. (2010). Job Characteristics and the Creativity of Frontline Service Employees. *Journal of Service Research*. No. 13 (4), pp. 426-438. Retrieved from http://jsr.sagepub.com/content/13/4/426.full.pdf+html

Donlagić, Dž. & Kožarić, A. (2010). Justification of criticism of the international financial institutions. *Economic Annals*, Volume LV, No. 186, pp. 115-132. Retrieved from http://ea.ekof.bg.ac.rs/pdf/186/2.2.pdf

Emery, Ch., R. & Barker, K., J. (2007). The effect of transactional and transformational leadership styles on the organization commitment and job satisfaction of customer contact personnel. *Journal of Organizational Culture, Communications and Conflict,* 11(1), pp. 77-90.

European Central Bank (2001). *The Monetary policy of the ECB*. Frankfurt am Main: ECB.

Fassin, Y. & Gosselin, D. (2011). The Collapse of a European Bank in the Financial Crisis: An Analysis from Stakeholder and Ethical Perspectives. *Journal of Business Ethics*. Springer. No. 102, pp. 169-191.

Gelade, G., A., Young, S. (2005). Test of a service profit chain model in the retail banking sector. *Journal of Occupational and Organizational Psychology*. Vol. 78, pp.1-22.Retrieved from http://www.bpsjournals.co.uk/10.1348/096317904X22926

Gibbons, D. (2011). Held to account: a review of Corporate Social Responsibility in retail banking from the consumer perspective. London, *Centre for Responsible Credit*. Retrieved from http://www.responsiblecredit.org.uk/uimages/File/Held%20to%20Account%20final%20February%202011.pdf

Graafland, J., J. & Van De Ven, B. W. (2011). The Credit Crisis and the Moral Responsibility of Professionals in Finance. *Journal of Business Ethics*. Springer. No. 103, pp. 605-619.

Härle, P., Heuser, M., Pfetsch, S. & Poppensieker, T. (2010). Basel III. What the draft proposals might mean for European banking. *Banking & Securities*. München: McKinsey & Company.

Heskett, J. L., Jones, T. O., Loverman, G. W., Sasser, W. E., & Schleisinger, L. A. (1994). Putting the Service-Profit Chain to Work. *Harvard Business Review*. Retrieved from http://pagesetup.com/images/content/hbr-article.pdf

Hofreiter, R., Nová ekonomická sociológia a štruktúrny kontext trhu. *Sociológia*, 43(5), p. 528-549.

Humphreys, M. & Brown, A. D. (2008). An Analysis of Corporate Social Responsibility at Credit Line: A Narrative Approach. *Journal of Business Ethics*. Springer. No. 80, pp. 403-418.

Chatterjee, CH. & Lefcovitch, A. (2009). Corporate social responsibility and banks. *Amicus Curiae,* Issue 78. Retrieved from http://sasspace.sas.ac.uk/2304/1/ Amicus78_ChatterjeeLefcovitch.pdf

Cheng, B., Ioannou, I. & Serafein, G. (2012). *Corporate Social Responsibility and Access to Finance*. Working paper 11-130, Harvard Business School. Retrieved from http://www.hbs.edu/research/pdf/11-130.pdf

Icke, B., T., Caliscan, E. N., Ayturk, Y. & Icke (2011). M. A., An Empirical Research of Ethical Banking in Turkey. *Journal of Modern Accounting and Auditing*, 7(3), pp. 289-304.

Kamakura, W. A., Mittal, V., De Rosa & F., Mazzon, J. A., (2002). Assessing the Service-Profit Chain. *Marketing science,* 21(3), pp. 294-317.

Kocianová, R. (2012). *Personální řízení. Východiska a vývoj.* Praha: Grada Publishing.

Lages, C. R. & Piercy, N. F. (2012). Key Drivers of Frontline Employee Generation of Ideas for Customer Service Improvement. *Journal of Service Research.* 15(2), pp. 215-230. Retrieved from http://jsr.sagepub.com/content/15/2/215.full.pdf+html

Lisý, J. et al (2007). *Ekonómia v novej ekonomike.* Bratislava: Iura Edition.

Lučkaničová, M., Ondrušeková, I. & Rešovský, M.(2012). Employment Modelling in Slovakia: Comparising logit models in 2005 and 2009. *Economic Annals*, Volume LVII, No. 192, pp. 25-40. Retrieved from http://ea.ekof.bg.ac.rs/pdf/192/183.pdf

Maddern, H., Maull, R. & Smart, A. (2007). Customer satisfaction and service quality in UK financial services. *International Journal of Operations and Production Management.* 27(9), pp. 999-1019. Retrieved from http://dx.doi.org/10.1108/01443570710775838

Matzler, K. & Renzl, B. (2006). The Relationship between Interpersonal Trust, Employee Safisfaction, and Employee Loyalty. *Total Quality Management*, 17(10), pp. 1261-1271.

McDonald, L., M. & Rundle-Thiele, S. (2008). Corporate social responsibility and bank customer satisfaction. *Internal Journal of Bank Marketing.* 26(3), pp. 170-182.

Mejstřík, M., Pečená, M. & Teplý, P. (2008). *Základní principy bankovnictví*. Praha: Karolinum.

Nemec, J. (2012). Chamtivost zatím nezná meze. *Ekonom*, Praha, Economia a.s., LVI(12).

Palomino P. R. & Martinez, R. (2011). Human resource management and ethical behaviour: Exploring in the Spanish banking industry. *Ramon Llull Journal of Applied Ethics.* 1(2). Retrieved from http://www.rljae.org/article.asp?issn=2013-8393;year=2011;volume=1;issue=2;spage=69;epage=88;aulast=Palomino

Paulet, E. (2011). Banking ethics. *Corporate Governance*, 11(3), pp. 293-300. Retrieved from http://dx.doi.org/10.1108/14720701111138715

Polouček, S. a kol. (2006). *Bankovnictví.* Praha: C.H.Beck.

Rendtorff, J., D. & Mattisson, J. (2012). Ethics in the bank internet encounter: an explorative study. *Journal of Information, Communication and Ethics in Society*, 10(1), pp. 36-51.

Robin, D. (2008). Toward an Applied Meaning for Ethics in Business. *Journal of Business Ethics.* Springer. No. 89, pp. 139-150.

Rose, P.S. (2002). *Commercial bank management.* New York: The McGraw – Hill Companies.

Saari, L. M. & Judge, T. A. (2004). Employee attitudes and job satisfaction. *Human Resource Management.* 43(4), pp. 395-407. Retrieved from http://www.interscience.wiley.com/10.1002/hrm.20032

San-Jose, L., Retolaza, J. L. & Gutierrez-Goiria, J. (2011). Are Ethical Banks Different? A comparative analysis using Radical Afffinity Index. *Journal of Business Ethics*, 11(100), pp. 151-173.

Saura, I. G., Contrí, G. B., Taulet, A.C. & Velazquez, B. M. (2005). Relationships between customer orientation, service orientation and job safisfaction in financial services. *Journal of Service Management,* 16(5), pp. 497-520.

Sigurthorsson, D. (2012). The Icelandic Banking Crisis: A Reason to Rethink CSR? *Journal of Business Ethics*. Retrieved from www.springer/DOI 10.1007/s10551-012-1207-8

Singh, P., Nadim, A. & Ezzedeen, S. R. (2012). Leadership styles and gender: An extension. *Journal of Leadership Studies,* 5(4), pp. 6-19.

Slovenská Banková Asociácia (2007). Etický kódex bánk v oblasti ochrany spotrebiteľa. Bratislava. Retrieved from http://www.vub.sk/files/sekundarna-navigacia/o-banke/hodnoty-principy/compliance/eticke-kodexy/ombudsman_eticky_kodex.pdf

Tea, G., Paulišič M. & Krstinič-Nižič, M. (2011). Bank Commitment to Ethics. *Information Management and Business Review,* 3(5), pp. 250-250.

Van Nimwegen, T., Soeters, J. & Van Luijk, H. (2004). Managing Values and Ethics in an International Bank. *International Journal of Cross Cultural Management*, 4(1), pp. 101-122.

Vujačić, I., Petrovič-Vujačić, J. (2012). Privatization in Serbia - Results and Institutional Failures. *Economic Annals*, Volume LVI, No. 191, pp. 89-106. Retrieved from http://ea.ekof.bg.ac.rs/pdf/191/04.pdf

Walker, A. G., Smither, J. W. & Waldman, (2008). D. A., A Longitudinal examination of concomitant changes in team leadership and customer safisfaction. *Personnel Psychology*, Vol. 61, pp 547-577.

Wang, F. J., Shieh, Ch. J. & Tang, M. L. (2010). Effect of leadership style on organizational performance as viewed from human resource management strategy. *African Journal of Business Management,* 4(18), pp. 3924-3936. Retrieved from http://www.academicjournals.org/AJBM

Watkins, J., P. (2011). Banking Ethics and the Goldman Rule. *Journal of Economic Issues,* XLV (2). Retrieved from http://dx.doi.org/10.2753/JEI0021-3624450213

Yee, R. W. Y., Yeung, A. C. & Cheng, T. C. E. (2010). An empirical study of employee loyalty, service quality and firm performance in the service industry. *Int. J. Production Economics 124,* pp. 109-120. Retrieved from http://www.elsevier.com/locate/ijpe/10.1016/j.ijpe.2009.10.015

Yeung, S. (2011). The Role of Banks in Corporate Social Responsibility. *Journal of Applied Economics and Business Research.* 1(2), pp. 103-115. Retrieved from http://www.aebrjournal.org/uploads/6/6/2/2/6622240/4.shirley.pdf

Received: October 03, 2012
Accepted: February 20, 2013