



## INTERNATIONAL JOURNAL OF RESEARCH IN COMPUTER APPLICATION AND MANAGEMENT

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**Contributions to books**

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

**Journal and other articles**

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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- Chandel K.S. (2009): "Ethics in Commerce Education." Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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- Kelkar V. (2009): Towards a New Natural Gas Policy, Economic and Political Weekly, Viewed on February 17, 2011 <http://epw.in/epw/user/viewabstract.jsp>

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N. E. AFRICA****ABSTRACT**

*Issues of IT Ethics have recently become immensely more complex. The capacity to place material on the World Wide Web has been acquired by a very large number of people. At the same time, once the initial reluctance to use the Internet and the World Wide Web for commercial purposes had been overcome, sites devoted to doing business on the Internet mushroomed and e-commerce became a term permanently to be considered part of common usage. The assimilation of new technology is almost never smooth. As the Internet begins to grow out of its abbreviated infancy, a multitude of new issues surface continually, and a large proportion of these issues remain unresolved. Many of these issues contain strong ethics content. As the ability to reach millions of people instantly and simultaneously has passed into the hands of the average person, the rapid emergence of thorny ethical issues is likely to continue unabated. In this paper we have paid attention to the very essence of the ethics in economy, and especially in banking. There is an always present dilemma between ethics and economy. Nowadays the attention is much more dedicated to this topic, because the lack of ethics norms in business operations produces great damage at the micro and macro level. More than anything else the significance of ethics becomes apparent through establishing of socially accepted ethical norms, affecting in consequence all aspects of life. In the present study we shall try to explain the business ethics as a social responsibility of an individual as well as of collective moral actions followed during all aspects of business activities up to the point where they do not disturb business relations within the business system, as well as within the wider surroundings.*

**KEYWORDS**

Business ethics, Ethical principles, Ethical code, Ethics, Issues, Proliferation.

**INTRODUCTION**

The area of Information Systems (IS) ethics has received, deservedly, a fair amount of attention in recent times. IS Professionals generally agreed that we need adequate ground rules to govern the use of present day Information Technology (IT). We have also recognized for many years the need to incorporate ethics into IS curricula [Couger, 1989, Cohen & Cornwell, 1989]. Current mechanisms which attempt to make IS professionals and students more sensitive to the ethical concerns within IT and IS may, however, be too tightly focused in terms of both issues and audience, especially in the light of the rapid proliferation of Internet use.

To properly analyze the impact of the Internet on IS ethics; we would need to establish the appropriate context. To this end, this paper explores several aspects of computer ethics that are relevant to today's users of IT. For example, who are the people that need to be educated on these issues? What are the issues, and what has been the impact of the Internet on these issues? What are current attitudes, perceptions, and behavior in situations involving computer ethics, and again, what is the effect of the Internet? Do we have guidelines and codes that provide assistance for these ethical situations? What else needs to be done to help address some of the problems in this important area?

The creator of ethics as a study of morality was the Greek philosopher Socrates (470-399 BC), who used ethics to define the terms of human virtues. The most important personal values are: righteousness, courage, honesty, tolerance, goodness, sincerity and fairness. In the field of ethics, Socrates and the entire Hellenic world saw the issue of goodness in human life or "eudemonia", i.e. happiness, as the most important. Goodness is a human characteristic and the greatest moral value. Socrates believed that virtue can be taught, i.e. that virtue is knowledge. A man must know what good is in order to do well. According to Socrates, knowing oneself is a prerequisite for happiness. Essentially, happiness is being good.

**BUSINESS ETHICS**

The subject of business ethics (collective or business ethics) is the effect of the social nature of morality, and the feedback effect of business morality on the business environment. Thus, business ethics may be defined as a group of moral actions of an individual, as the element of a collective, that he/she adheres to during all forms of business activities without damaging the business relationships within the business system and the wider environment.

Public attention has lately turned towards debates about business ethics, as the social responsibility of the individual and the collective. The question arises as to whether business has anything to do with the morality of the individual and the collective. Many people deny the

connection between ethics and business, believing that the place of morality is within religion, while others perceive the interconnection between morality and religion. Every business activity has certain things in common with morality and moral actions of an individual or groups. Business ethics has two basic dimensions of expression and demonstration:

- **Collective ethics and**
- **Individual ethics.**

Collective ethics includes the application of ethical principles in the management's decision-making that refers both to external subjects and the environment and the ethical relations within the business system itself. Individual ethics involves adherence to the norms of customary business morality. If an individual has a deficit of ethical morality it means that they put their interests before the collective and legal norms, and before the norms of customary business morality, which can damage the business climate. Individual ethics is the basic element of group or collective ethics.

### ROLE OF ETHICS IN BANKING

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

The basic ethical principles in banking are:

- **Principle of mutual trust** is of special importance for successful functioning of the business system. Important and valuable deals are very often contracted over the phone, in the absence of witnesses, while the relationship between the participants is dominated by the inviolable principle of mutual trust.

- **Principle of mutual benefit and interest** means that none of the partners in a business relationship should feel cheated;

- **Principle of good intentions** is very important for business ethics and moral behaviour.

This principle means that there is no intention to treat the business partner in an immoral way, whether it refers to deception, theft or some other undesirable way of treating a business partner;

- **Principle of business compromise and business tolerance** refers to the harmonization of the conflicting interests of participants in the business process;

- **Principle of ethical improvement of business behavior** represents the business partner's readiness to accept the mistake that has been made as a result of his own actions.

He should admit the mistakes and respond in an appropriate way;

- **Principle of de monopolization of one's own position**, because monopolistic behavior on the market does not contain any ethical market value and

- **Principle of conflict between one's own interests** refers to the inability to relate common to personal interests, with simultaneous adherence to the same ethical values.

The violation of ethical principles in banking occurs when the lenders take too much risk, trying to find a loophole that allows them to approve more loans. Strict adherence to the law and regulations in the field of banking makes it possible to grant loans to all the qualified clients in a fair way.

### WHEN IT COMES TO GENERAL STANDARDS, THE BANK MUST TAKE INTO ACCOUNT THE FOLLOWING

- The bank must avoid a high concentration of loans in one industrial branch, sector or field, with the exception of specialized institutions that have this as their core activity;
- Clients who want to obtain a loan should maintain a certain amount of financial resources as a precondition for loan security;
- Loan approval refers to a strictly formal procedure in terms of purpose, source, price, terms and the method of payment;
- All loan applications must be accompanied by financial reports of the debtor for the previous year and
- Loans are granted with an amortization payment schedule.

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

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

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

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

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

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

Banking business is attractive for illegal transactions only if the effectiveness of a controlling mechanism for a consistent conformity with the operating principles is missing. Continuous monitoring is a significant activity for banking operations, since the very nature of this activity

involves a rapid change along with innovations. In traditional banking activities this problem is clearly seen, since some sort of records is kept on transactions.

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

It is to be expected that a more extensive use of e-money will lead to an increasing misuse of ethics. Even though banks, financial companies and clients gain multiple benefits by using the e-banking system, at the same time the application of e-banking jeopardizes the ethical domain, since it gives rise to increased cyber crime. Hackers usually disrupt the operation of information systems and transfer financial funds to their own accounts.

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

One of the ways to fraudulently obtain money is stealth of personal data or identity. It involves a deliberate attempt at unauthorized acquisition of other people's personal data. This type of theft is possible to uncover only if individual users are vary and if they keep track the standing of their accounts each month. Otherwise, this theft could be hardly noticed.

This theft represents a major threat to banks, credit institutions and other financial companies which bear the brunt of the loss.

In order to prevent the identity frauds, legislative institutions notify the clients that they safeguard the sources of private information. Bankers should provide more detailed instructions to clients to check the balance on their accounts at least once a month and to report immediately any observed irregularity. Owing to the introduction of e-banking services, clients can check their account balances on a daily basis. Electronic business is possible to apply only if a mechanism for securing financial and other transactions on the Internet is developed. By using encryption systems and digital certificates it is possible to realize four basic functions of the transaction security, such as: confidentiality, authentication, integrity and incontestability. The efficiency of such measures should be proved by more extensive use of electronic money. The most important benefit of e-business is that financial flows assume different profile, whereas the banks move their desk operations to the clients' computers. Time will show whether we will reach statistical figures from the developed west where more than 80% of transactions are affected electronically.

### ISSUES AND CONCERNS: HOW THEY'VE GROWN AND CHANGED

In everyday life, "Ethics is the practice of making a principle-based choice between competing alternatives" [Kallman & Grillo, 1996, p.3]. The issues in IS ethics would certainly fit comfortably within this larger umbrella. We ought to be able to assume that to use IT ethically, a person would first need to possess appropriate ethical standards for day to day living. It comes as a surprise, therefore, that, that many people who consider themselves ethical have less stringent standards when it comes to using computers and related technology [Solomon & O'Brien, 1990, Cohen & Cornwell, 1989].

Many people feel that using a computer to do something that is illegal or unethical is somehow not as "wrong" as other "real" criminal or unethical acts. For others, the term "IS ethics" refers just to issues of software piracy and unauthorized access to computer systems. Neither perception is correct. Criminal or unethical acts performed with the help of a computer are just as criminal or unethical. They usually just take less time or are harder to trace. Ethical concerns in IT actually encompass much more than just software piracy and computer hacking. Wood (1993) states that generalizations from many studies on IS ethics have been limited because most studies have concentrated solely on software piracy problems rather than a broader definition of IS ethics. Malone (1993) argues that ethical concerns in IS must go beyond behaviors that are considered illegal. He includes such topics as computer crime, software reliability, privacy and matching, employee displacement, and artificial intelligence. Hall and Hamilton (1992) find the issues even more extensive. In their recommendations on the ethical concepts that should be integrated into the MIS curriculum they include the issues of privacy, security, ownership of property, race, equity in access, the environment, internal control responsibility of IS personnel, misuse of computers, artificial intelligence and unemployment and displacement. In their discussion of what constitutes unethical computer use, Kallman and Grillo (1996) include social and economic issues, issues of individual practice, development process issues, issues involving managers and subordinates, processing issues, issues relating to the workplace, issues of data collection, storage, and access, issues about electronic mail, resource exploitation issues, vendor-client issues and issues of computer crime.

The rapid growth of Internet access and use seems to have made many of these issues more significant and pervasive. This growth has also spawned a host of new issues. Issues involving intellectual property rights, ownership of data, copyright laws and violations, and plagiarism now affect millions of people rather than just a few. From perhaps an opposing standpoint come the issues of free speech and censorship.

There is reason to believe that the ethical management of IT poses some special difficulties as well. For instance, information created and stored using IT is more easily altered, destroyed or accessed without authority or permission. Privacy, unauthorized access, and the theft of information become increasingly relevant concerns. Also, the use of computers and technologically advanced communications equipment changes the way people communicate with each other. Personal, face to face contact is reduced, decisions are made more quickly and less thoughtfully, and the potential for unethical use is increased simply because not enough time is devoted to careful consideration of all the ramifications of a particular act. Information sharing often conflicts with concerns of confidentiality and privacy, and the lack of access security can often make unethical use far too easy.

### CURRENT ATTITUDES, PERCEPTIONS, AND BEHAVIOR

Unethical and often illegal behavior in the use of IT seems to be commonplace. Software piracy and unauthorized access to computing facilities are illegal acts in most countries. Yet, many users of IT violate these laws with little or no concern. If so many people are willing to act in ways that are patently unethical, what kind of attitude might we expect when the issues are a little more blurred?

Many writers in the area of computer ethics paint an equally disturbing picture of current day business and computer ethics. Bloombecker (1991) finds reasons for despair, although he also finds reasons for hope. The software piracy and hacking remain largely offenses of the young may be too sanguine. Stark (1993) suggests that part of the problem of business ethics as a whole may exist because of the gap between "academic" business ethics and professional management. Machan (1991) agrees, pointing out that many classroom approaches to business ethics are little more than sessions of 'business bashing'.



Davis and Vitell (1991) suggest that ethical standards in IS may be on the decline, in sharp contrast to ethics in other business areas. Their study also revealed that a large minority of respondents believed that unethical IS behavior could actually help them to be successful. Wood (1991), in his study comparing the computer ethics standards of managers and students found that the students tended to have lower ethical standards than present day IS professionals in nonacademic settings. The results of the many studies that have researched attitudes and perceptions regarding computer ethics show no reason for complacency. Perceptions of what is ethical and what is not vary widely. University students and faculty appear to have regrettably lax ethical standards when it comes to using computers.

This bodes ill for the future, especially as Internet use becomes increasingly more prevalent. The arena, and therefore the potential for unethical IT use just keep increasing. Even more disconcerting is the fact that although studies indicate that people seem to have a grasp of what constitutes unethical use of IT, their actual behavior often seems to ignore these very same ethical standards that they claim to possess.

### INFORMATION TECHNOLOGY AND CODES OF ETHICAL BEHAVIOR

Codes of behavior for IS professionals have been in existence since the 1960's. Why then, the sudden fuss over IT ethics? Several factors have contributed to the situation. First, the growth in technology, its complexity and its use, including access to the Internet, has been unprecedented.

Ethical codes developed even a decade ago can't possibly address the bewildering range of possible situations involving ethical conflict. Second, because technology use is so pervasive, the majority of the people who should be targeted by these codes of conduct do not belong to the professional organizations that developed them. In fact, many IT professionals do not belong to any professional organizations.

As a result, much of the audience remains untouched. Third, different organizations for IT professionals have different codes and guidelines. Although most have similar objectives, the treatment of these objectives differs from one organization to the next. Even if an IT professional were to belong to a particular organization, the standards by which he or she would be expected to live and work by would be different from those adhered to by a member of a different organization. There is no single set of widely accepted codes and guidelines for ethical decision making [Oz, 1992]. Finally, a code of ethical standards is not the law although most codes of ethics do incorporate sanctions to deal with misconduct. Although legislation to deal with a variety of computer and technology related crimes has been enacted, statutes fall far short addressing potential wrongdoing.

In a call for a unified ethics code for IT professionals, Oz (1992) examined the differences between the ethical codes of 5 organizations for IS professionals. The study found similarities as well as differences between these codes when examined in a framework of obligations to society, employers, clients, colleagues, the professional organization and the profession. One flaw in all 5 sets of standards was a lack of guidelines for prioritizing ethical conflicts. A unified code, the study concluded, would better serve IT professionals and would enhance public perception of the profession.

### SUMMARY AND CONCLUSIONS

The number of people touched by and affected by this technology is enormous and is growing rapidly, especially with the increased availability of the Internet. This makes a target audience difficult to define and difficult to reach. The ethical issues themselves are also difficult to define, increasingly complex and diverse, and are growing as rapidly as the technology. Attitudes, perceptions and behavior among users of this technology leave much to be desired. Codes of ethics and professional conduct vary from one professional organization to the next and are incomplete or obsolete. In addition, membership in these organizations makes up only a minuscule part of the relevant audience. Classes in computer ethics, when part of an IS or IT curriculum, don't appear to make much of an impact and reach only a small proportion of students who use IT.

Obviously, the importance of IS ethics cannot be overstated in the age of the Internet. There are too many people involved for us to remain unconcerned. It is probably not possible to develop comprehensive ethical guidelines to cover every possible situation of IT misuse. It is possible, however, to realize the pervasiveness and the magnitude of the problem. It is also possible to develop ethical guidelines on an ongoing basis to keep pace with changes in the issues. Finally, it is vital that these guidelines be a part of all school and college curricula rather than just IT related disciplines.

However, leaving aside such blatant examples of unethical behaviour, even the most well meaning of banks are going to confront moral dilemmas in the course of business. These dilemmas are more complex than the simple: "should I lie, cheat or steal variety?" They pose difficult choices that have the potential to damage reputation and lead to financial losses. The problem is that in an increasingly complex business environment the choice is not always the simple one between what is right and wrong. It is more often between what is right and less right - in other words between shades of grey. This increases the need for organisations to adhere to a strong set of values to steer them through the minefield of ethical choices with which they are faced as they make business decisions. It is also necessary to ensure that the behaviour of the organisation is in practice aligned with these values and that employee's buy into them, so that the organisation actually practices what it preaches.

Some of the practical examples of ethical dilemmas involving banks that have been in the news recently are, as banks reach out beyond their home market, they become exposed to unfamiliar business environments and customers whose ethical standards may be very different from their own. This puts extra strain on the "know your customer" policy upon which regulators are so insistent. Business dealings with Russia are a case in point. Here you have the situation of a country that is making the transition from a communist to a capitalist economy. This naturally creates profit opportunities for Western banks. It could indeed almost be argued that these banks have a moral responsibility to assist in transforming the Russian economy. Unfortunately, somewhere along the line, this transformation has gone wrong, and the borderline between what is legitimate and illegitimate business in Russia has become blurred, to say the least.

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