

The Unethical Banking Costs Distrust of Bank Customers (Albania Case as a Model for SEE Countries)

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Abstract: This paper seeks to recognize the influence of the unethical banking to the distrust of bank customers which might escalate to a bank panic. Because of similarities and interbank connections Albanian case might be considered by researchers and supervisory bodies as an example for banks management of SEE countries. Banks in Albania are institutions of a special public importance, and they should be ethical at any time, in every service, in all sort of information revealed to the public, in any decision they make and every time to act responsibly for the best of their customers. Behavior of bank management resulted with ethical issues based on quantitative and qualitative analysis made for this article. All these findings threat the trust of bank customers and create the premises for bank panics. Banks management and regulators have to consider these conclusions for protecting the financial stability.

Key-words: Financial Crises, Banks, Corporate Finance and Governance, Crisis Management, Corporate Culture, Central Banks and Their Policies.

1 Introduction

Ethics in the origin of its creation has been a notion that has served mostly to philosophers, academics and social critics, and then became involved as a concept of economists. In the ancient Greek civilization Aristotle could readily distinguish between the basic trade needed for an economy to function, and the trade for profit which could fall into an unproductive lending (Solomon 1992, 321). Frentrup (2003), chronicled how greed, speculation, deceit and frequent bankruptcy punctuated the fortunes of the earliest of the great trading companies. The founder of modern science of economics has been the famous philosopher Adam Smith, the father of the new theory of economy, based on liberal market concepts. The most important thing quoted today by Adam Smith is "the invisible hand of the market" an invisible force that regulates the apparent "contradiction" between the personal interest of individuals and the common good for society. So, individuals act based on their own interests, but "the invisible hand" at the same time creates the common good. The Albanian banking system might need a new framework for ethical banking where to be integrated CG and CSR. "People in business are ultimately responsible as individuals, but they are responsible as individuals in a corporate setting where their responsibilities are at least in part defined by their roles and duties in the company ... businesses in turn are defined by

their role(s) and responsibilities in the larger community ..." (Solomon 1992, 320).

"We have long been discussing the topic of ethics in the finance sector" Lagarde (2015). Purpose? To revitalize the "objectives" of the financial sector, its purpose and a wider responsibility towards society. After all, the purpose of the financial sector should be not only to maximize the wealth of its shareholders, but to enrich the society by supporting economic activity and creating value and jobs - ultimately improving people's well-being.

2 Methodology

The methodology used for this monograph is based on research and analysis of qualitative techniques over the data collected from banks websites and published reports combined with four¹ questionnaire surveys with 299 customers of all banks in Albania and 99 employees of the banking system all around Albania during the year 2018. The interviewees were randomly chosen and had a

¹ The first survey from January to March 2018; the second survey from April to June 2018; The third survey from July to September 2018; the fourth survey from October to December 2018.

