



# Module-D Unit-2

## JAIIB PAPER-2

### Principles and Practices of Banking (PPB)



## JAIIB PPB Module D Unit 2- Ethics at the Individual Level

### Values, Norms, Belief and their Role

#### Values

**Values refer to the important and enduring beliefs or principles, based on which an individual makes judgements in life.** It is at the centre of our lives which act as a standard of behaviour. They severely affect the **emotional state of mind of an individual.** They can be **personal values, cultural values or corporate values.**

Values are forces that cause an individual to behave in a particular manner. It sets our priorities in life, i.e. what we consider in the first place. It is a reason behind the choices we make. It reflects what is more important for us. So, if we are true to our values and make our choices accordingly, then the way we live to express our core values. Moreover, if you understand an individual's values, you can easily identify what is important for them.

#### Differences Between Ethics and Values

*The fundamental differences between ethics and value are described in the given below points:*

- Ethics refers to the guidelines for conduct, that address question about morality. Value is defined as the principles and ideals, which helps them in making the judgement of what is more important.
- Ethics is a system of moral principles. In contrast to values, which is the stimuli of our thinking.
- Values strongly influence the emotional state of mind. Therefore it acts as a motivator. On the other hand, ethics compels to follow a particular course of action.
- Ethics are consistent, whereas values are different for different persons, i.e. what is important for one person, may not be important for another person.
- Values tell us what we want to do or achieve in our life, whereas ethics helps us in deciding what is morally correct or incorrect, in the given situation.
- Ethics determines, to what extent our options are right or wrong. As opposed to values, which defines our priorities for life.

#### Norms

- **Norms are expectations of proper behaviour and not the requirements of that behaviour.** Norms are the ways an individual expects all the people to act in a given situation. They are inconsistent but universal. Norms are not published, therefore, may not be obeyed and cannot be made obligatory except by sanctions of a group who use penalties as condemnation or exclusion.

- Norms are informal guidelines about pertaining to behaviour and actions, which are considered normal (**what is correct and incorrect**) social behaviour in a particular group or social unit.

## Beliefs

- **Beliefs in the ethical code are standards of thoughts.** Beliefs are criteria of intangible thought that does not necessarily evoke action. It may stimulate or force certain pursuit in the environment that corresponds with one to behave in a certain manner.
- **Beliefs are among the most primitive and central of mental constructs,** and yet there is little agreement as to what they are or how they should be constructed.

## *Role of Norms, beliefs and values in management*

- A corporate culture is a set of values, beliefs, norms and goals and ways of solving problems, which is shared by the employees of an organization.

## **Core Values**

**Core value are the fundamental beliefs of a person or organization.** These guiding principles dictate **behavior and can help people understand the different between right and wrong.** Core values also help companies to determines if they are on the right path and fulfilling their objectives by creating an unwavering guide.

Every organization must have a set of core values, which are referred to as the Business or Corporate values. ***The below mentioned are the few of core values practiced by Fortune 500 Companies across the world:***

- Customer services
- Employee care'
- Quality
- Ethics
- Integrity
- Growth and stability
- Innovation
- Flexibility
- Social Responsibility

## **Morality and Personal Values**

## Morality

Morals are one's guiding principles. Morals are those principles that have internalized automatic response to the situations. They are part of who we are our unique personality. Moral standards are first absorbed as child family friends and various social influences.

Different moral standards emerge from the different value systems which people and society hold. Moral standards include the norms we have about the kinds of actions we believe are morally right and wrong and also the values we place on the kind of objectives we believe are morally good and morally bad.

### **Personal Values**

Individual values- system is like a fingerprint. It is unique in case of each individual. Because it in the form of a combination of different instrument and terminal values. And this combination varies from person to person. Therefore, in the context of an organization when different business managers come across similar ethical dilemma, their interpretation of the situation and responsive actions may differ significantly.

#### ***Personal values serve five purposes in organizations***

- Values serve as standards of behaviour.
- Guidelines for decision-making and conflict- resolution
- Values affect our thoughts and actions.
- It influences the perception and motivation of employees.
- It also has strong influence on behaviour and attitude.

### **Personal Ethics and Business Ethics: Individual Integrity and Responsibility**

#### **Personal Ethics**

- Personal ethics is a category of philosophy that determines what an individual believes about morality and right and wrong. This is usually distinguished from business ethics or legal ethics.
- These branches of ethics come from outside organizations or governments, not the individual's conscience.

#### **Business ethics**

- Business ethics refers to implementing appropriate business policies and practices with regard to arguably controversial subjects.
- Some issues that come up in a discussion of ethics include corporate governance, insider trading, bribery, discrimination, social responsibility, and fiduciary responsibilities.

#### **Conflict Between Personal ethics and Business Ethics**

The organization's ethics dilemmas are often resolved and decision taken by committees and formal and informal group and not by an individual. Moreover, the decision that are taken are based in business goals and exclude individual goals. ***Ethical clashes or dilemmas may arise in several situations like:***

- The individual ethics may clash with the group ethics predominant in the organization.
- The individual ethics of a single powerful person in the organization may be predominant in the organization. If that individual is ethical and works for the good of all the shareholders, it results in positive outcome but if that person is unethical, it may result in negative impact on the organization.
- In some cases, employees may be taught to ignore an issue, which he or she thinks is unethical.

### **Individual Integrity and responsibility**

Integrity is explained as firm adherence to a code of values. For an individual or for a Business, Integrity is the quality or state of being complete or undivided, In other words, it means being true to our values and ourselves and also keeping our commitment not only towards others but to ourselves also. In the individual value-set, Integrity is the core value, which makes an individual complete or undivided.

#### **Why is it important to restore integrity?-**

This is mainly because it gives you the ability to powerfully deal with not only specific situation but also in other areas of one's life.

### **Individual Responsibility**

- Responsibility is defined as a moral, legal or mental accountability. This makes an individual a cause of doing something with a motive or an agent of some action.
- An Individual's responsibility is taking on accountability for our personal situation. Suppose of an organization declares that we are responsible for what we do and what we have, who we are and for all the conversations we have and situation we are in. Therefore, individual responsibility is the commitment one makes to himself for being an agent in the world, i.e. the cause of who we are and what we have.

### **The Golden Rule**

The moral principle known as the '**The Golden Rule**' has been espoused by many humanists, which otherwise is also known as the ethic of reciprocity. Reciprocity is an interchange of giving and receiving in social relationships. Reciprocity occurs when an action that has effect upon another is reciprocated with an action that has an approximately equal effect upon the other. In other words, it is like the return of favours that are almost equal in value. The Golden rule suggests that people should aspire to treat each other as they would like to be treated themselves – with tolerance,

consideration and compassion. It suggests that one should treat inferiors, as you would want superiors to treat you.

***There are three Golden rules of ethics, which establish the foundation of human moral values.***

- Everything you want others to do to you, you should do to others.
- Do not do to others that you do not wish them to do to you.
- Do not do anything to others, which, if done to you can cause harm to you.

### **Ethical Reasoning and Real-world Application**

Ethical reasoning is the process recognizing, which decision requires ethical judgments, determining potential reasonable course of action, finding support for potential course of action, and then selecting the course of action best supported.

- **General purpose:** Firstly, an individual is trying to determine the ethical goals or an objective that he or she is trying to achieve.
- **Raise questions:** The key ethical question person is trying to answer, that is identification of issues he or she facing and then formulating key ethical question embedded in the issues, keeping in mind the relevant point of views.
- **Use information:** One must identify the information, collect all the data and facts, which will enable a person to understand and consider the requirement of evidences or observations relevant to others. Individual's own experiences also helps in developing suitable reasons.
- **Utilizes concepts:** The key ethical concepts and principles that would assist in developing a thought process. Identification of ethical definitions, theories, models etc. that is applicable for reasoning through the issues.
- **Makes assumption:** The main assumptions pre- suppositions used in reasoning in the ethical issue. Assumptions should also be justified for reasoning. Assumptions must also be evaluated from the perspective of understanding the ethical issues along with available alternatives.

### **Ethics Dilemmas: Resolving Ethical Dilemmas**

**An ethical dilemma (ethical paradox or moral dilemma) is a problem in the decision-making process between two possible options**, neither of which is absolutely acceptable from an ethical perspective. Although we face many ethical and moral problems in our life, most of them come with relatively straightforward solutions.

On the other hand, ethical dilemmas are extremely complicated challenges that cannot be easily solved. Therefore, the ability to find the optimal solution for ethical dilemmas is critical to everyone.

Every person can encounter an ethical dilemma in almost every aspect of their life, including personal, social, and professional.

***An ethical dilemma exists when one is faced with having to a make choice among following alternatives:***

- Significant Value--- Conflicts among differing interests.
- Real alternatives that is equally justifiable.
- Significant consequences on stakeholders in situation.

## Resolving Dilemmas

*Steps for dealing with ethical dilemma are as follows-*

- Acknowledge that there is a moral issue.
- Ascertain the people who will be affected by the decision. Also, determine your role.
- Gather the facts about sequence of occurrence of event. Because the more facts we know, we can better comprehend the situation.
- Ascertain your test for right versus wrong. How would you define the problem, if you were to stand on the other side of the fence.
- Ascertain the test for right versus right theory, for example trust vs loyalty, justice vs Mercy etc.
- Apply the resolution principle. Work through all three approaches to resolve the dilemma, namely.
- Thinking based on end-do whatever produces the greatest good for maximum people.
- Rule based thinking-follow the rule strictly.
- Care based thinking –treat other with love and compassion. Do to others, what you would like the do to you.
- Your approach must look reasonable and persuasive
- Investigate, if there is any third way out of the situation
- Make decision and take action
- Revisit and reflect on the decision.

### **A Framework for Ethical Decision- Making**

Making good ethical decisions requires a trained sensitivity to ethical issues and a practiced method for exploring the ethical aspects of a decision and weighing the considerations that should impact our choice of a course of action. Having a method for ethical decision making is essential. When practiced regularly, the method becomes so familiar that we work through it automatically without consulting the specific steps. This is one reason why we can sometimes say that we have a “moral intuition” about a certain situation, even when we have not consciously thought through the issue. We are practiced at making ethical judgments, just as we can be practiced at playing the piano, and can sit and play well “**without thinking.**” Nevertheless, it is not always advisable to

follow our immediate intuitions, especially in particularly complicated or unfamiliar situations. Here our method for ethical decision making should enable us to recognize these new and unfamiliar situations and to act accordingly.

The more novel and difficult the ethical choice we face, the more we need to rely on discussion and dialogue with others about the dilemma. Only by careful exploration of the problem, aided by the insights and different perspectives of others, can we make good ethical choices in such situations.

***Ethical decision-making has involved weighing of four factors as under:***

- The desired outcome of a decision.
- The means used to achieve the desired outcome,
- The motivation behind the decision; and
- The possible consequences of decision.

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