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## COMPLIANCE WITH ETICAL STANDARDS IN THE DEVELOPMENT OF BANKS IN MODERN CONDITIONS

**Abstract:** This article is devoted to the application of ethical standards in the banking sector in modern conditions, when the need to search for new ways to attract capital to the banking sector is growing. Ethical standards have a huge impact on the financial side of the development of banks. Compliance with the norms of banking ethics is an important indicator for the bank's clients, contributes to the formation of a positive opinion about the bank, increases the interest of clients in the services provided by banks, and the level of profitability of the banks themselves.

**Key words:** banks, ethics, ethical standards, bank secrecy, business ethics.

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### Introduction

At first glance it seems that concepts such as "ethical standards" and "banking" are incompatible. However, this is a deep misconception. They have a close relationship with each other.

Ethics is one of the most important parts of philosophy, the subject of which is morality, which are present in all human relations, for example, such as the attitude towards people around one, towards oneself, towards nature, towards animals. Banking is the branch of the economy dealing with the banking sector. A bank is a so-called financial intermediary that interacts between the borrower and the lender.

Both ethics and banking have a long history. Ethics arose more than two and a half thousand years ago as the most important part of philosophy, when, as a result of the social division of labor, cognitive theoretical activity was separated from immediate practical moral consciousness. The emergence of the concept of "ethics" as a philosophical discipline is

associated with the name of Aristotle. The history of banking begins in the VII th century BC. For example, it is believed that even then there were usurers in Babylon.

In the XVI-XIX centuries there was a traditional economy, and during this period ethical rules for doing business were born. The work of financial and credit structures at that time was reduced to the provision of cash loans at a high interest rate and to currency exchange. The ethics that emerged during the traditional economy were special. The peculiarity of the ethics of this period are its such features as:

1. The purpose of economic activity was to achieve a special social status and a higher level of consumption. After achieving this goal, the entrepreneur, more often used to leave business, was engaged in patronage, political affairs, and passed on commercial affairs to his heirs.

2. The business activity consisted mainly of the process of production of goods, modern financial

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instruments were practically absent (with the exception of promissory notes), so profit and profitability appeared only at the stage of implementation, and not at the stage of industrial relations.

3. Relations between people were built on a high degree of solidarity and mutual assistance.

Ethical norms did not allow competitive struggle for survival at that time. There were no such tools as dumping, aggressive advertising, enticing employees, etc. The dominance of ethical norms and principles in the traditional economy guaranteed a relatively stable development of economic life. Ethical norms were guided not only by the producers themselves, but also by financial and credit institutions and consumers of products (services). Such tools of modern marketing, which are often used in the banking environment, such as aggressive advertising or fictitious discounts, at that time would have led to rejection of products rather than to an increase in their volumes.

The economy of that time was also characterized by the absence of sharp fluctuations in demand. Consumption was reinforced by the customs and traditions of the social group, which had a constant level of income, and individual consumer preferences arising from individual economic entities were suppressed due to moral condemnation by society - this also guaranteed a calm development of the economy without sharp surges in demand or overproduction of products that are harbingers of economic crises.

At the end of the XIXth and beginning of the XXth century, a turning point in the traditional economy began and a modern market economy began to form, in which, unfortunately, the dominant feature was not ethical norms, but the ideology of economism. And gradually economism showed the incompatibility of the market with ethics. We have come to a loss of ethical guidelines for entrepreneurial activity. And the dominant position was taken by the endless growth of profits and profitability. The economy began to lose its stability and predictability, - the constant growth of demand and supply of various goods, the constantly changing fashion for goods and services, forcing entrepreneurs to come up with more effective (in reality aggressive) mechanisms to influence consumer behavior. Ultimately, all this together leads to crises alternating with each other, not only in national, but also in the global economy. This state of affairs in the 70-80s. XX century made economists to a greater extent think about the need for the forethization of economic life, since a constant thirst for profit leads only to the monopolization of certain industries, social inequality and a crisis, both in the world economy and in the lives of individuals.

Of course, it becomes clear that ethical norms should be necessarily introduced into the economic activities of the subjects and act as a kind of limiting factor to prevent the development of poverty and social inequality. This process seems to be very difficult. But for its implementation, the process of reviving the spirituality of society comes to the rescue. As noted by the President of Uzbekistan Mirziyoyev Sh.M. with reference to world historical experience: "... nations make progress through spiritual cohesion." "If the economy is an organism that ensures the vital activity of society, then spirituality is its heart and soul. Once we have decided to build a new Uzbekistan, we rely on two solid pillars. The first is a strong market economy. The second is a strong spirituality based on the rich spiritual heritage of our ancestors and national values."<sup>1</sup>

Today, the spiritual sphere has begun to manifest itself in economic life in the form of charity auctions, the introduction of codes of social responsibility of companies, various assistance provided by companies to people in difficult life situations, etc. The introduction of ethical norms into the economic life of subjects is today stimulated at the level of state policy, which helps to strengthen the weak germs of business ethics, and complements ethical norms with economic regulation, with the aim of making the business environment more stable and predictable.

Thus, in order to overcome the crisis phenomena in the market economy, it is necessary to switch attention to the ethical problems of regulating the business environment.

In the modern banking environment, ethics appears in three forms:

1. Business ethics;
2. Managing ethics;
3. Corporate ethics.

Currently, credit and financial organizations operate on the basis of a number of ethical principles and rules:

1. Understanding of professional duty to clients of banks, society and the state.
2. Recognition of the equality of rights of all participants in the credit and financial sector.
3. Striving for maximum transparency, taking into account the absolute reliability in the preservation of information related by law to confidential information.
4. Improvement of corporate governance and creation of structures for mutual control over the integrity of the subjects of the banking services market.
5. Ensuring reasonable risk in financial transactions.

<sup>1</sup>Mirziyoyev Sh.M. If the economy is an organism that ensures the vital activity of society, then spirituality is its heart and soul. - video conference call on the cardinal improvement of the system of

spiritual and educational work, strengthening the interaction of state and public organizations in this process. January 19, 2021 <https://president.uz/ru/lists/view/4089>

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6. Full responsibility for the results of activities to the participants in the economic turnover.

7. Recognition of the rules of fair competition, active opposition to unscrupulous participants in banking activities.

8. Active counteraction to laundering of proceeds from crime, financing of terrorism and other illegal actions in the credit and financial sphere.

It should be emphasized that ethical issues affect not only financial institutions themselves, but also the entire banking market.

The ethical focus of a bank's customer relationship should be a top priority. Ethical norms should be developed not only within the banking sector itself, but also in activities with transactions with clients by improving the quality characteristics of the entire range of services offered by banks:

1. Personalized approach to each client.

2. Increase in the offer of services rendered on a remote basis.

3. Development of information technology to improve the quality of service.

4. Increase in cross-product and cross-service offerings, especially on the basis of payment cards. All of the above quality characteristics improve the image of the bank, especially the commercial one.

In addition to these characteristics, a part of the bank's image is also the friendly attitude of the staff, a comfortable atmosphere in the bank, the presence of an electronic queue, an individual approach to

customers and even a large network of ATMs. Accordingly, the ethical standards in the activities of the bank directly affect the image of the credit institution, the improvement of which increases the flow of customers.

### Conclusion

Thus, we can conclude that in modern conditions of sustainable development, when the banking system is developing rapidly, the number of players in the banking market is growing and banks are offering new products, consumers pay great attention to the bank's reputation, which largely depends on its compliance with ethical standards. Compliance with the norms of banking ethics should become an indispensable condition not only for the presence of a bank in the market, but also for receiving high incomes. Compliance with banking ethics is the key to success, as well as the issue of customer retention, the way to minimize one's risks.

In banking, ethical compliance is critical compared to other industries. An important component of banking ethics is the observance of the confidentiality of information, the preservation of banking secrecy. Bank's clients must be sure not only of the safety of their assets, but also of keeping secrets from third parties about these assets. With the acceptance of banking ethics, there comes an awareness of the high social role of banks in modern conditions.

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