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A Study On Ethical Challenges Faced By Financial Services With Special Reference To Fnb Financial Consultancy

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ABSTRACT

The financial services sector faces growing ethical challenges, including fraud, lack of transparency, conflicts of interest, and governance lapses, all of which impact public trust and sector stability. This study examines such issues within financial consultancy firms like FNB, analysing how they affect ethical conduct and regulatory compliance. It also explores the dual role of digital technologies in improving service delivery while raising concerns over data privacy and fairness. The research highlights the need for stronger ethical frameworks, transparent practices, and a values-driven workplace culture. The study emphasizes the role of regulatory bodies in enforcing standards and fostering collaboration to create a more responsible and trustworthy financial ecosystem.

KEYWORDS: Ethical Challenges, Financial Services, Financial Consultancy, Governance, Transparency, Artificial Intelligence, Data Privacy, Regulatory Compliance, Trust, Workplace Ethics

I. INTRODUCTION:

In today's dynamic financial landscape, ethical standards are crucial for maintaining trust between financial institutions and their stakeholders. With growing complexity in operations and the rise of digital finance, ethical breaches—such as fraud, conflicts of interest, and data misuse—pose significant risks. This study explores key ethical challenges within the financial services sector, focusing on their impact on consumer trust, regulatory compliance, and firm sustainability. It also examines the influence of corporate governance and digital transformation on ethical practices, aiming to offer insights and recommendations for fostering a responsible financial environment.

II. NEED OF THE STUDY:

Ethical concerns in financial services have grown significantly amid rising cases of misconduct, lack of transparency, and conflicts of interest, all of which undermine consumer trust and market stability. With globalization and technological innovations such as AI and digital banking reshaping the industry, new ethical risks like data privacy breaches and algorithmic bias have emerged. This study focuses on the ethical challenges in financial consultancy firms like FNB, aiming to assess current governance practices and suggest ways to enhance ethical standards and build a more trustworthy financial ecosystem.

III. OBJECTIVES OF THE STUDY:

Primary Objective:

To analyze the key ethical challenges faced by financial service providers and evaluate their impact on stakeholder trust, regulatory compliance, and financial stability.

Secondary Objectives:

1. To identify the most common ethical issues in financial services, such as fraud, transparency, and conflicts of interest.
2. To assess the role of corporate governance in mitigating ethical risks.
3. To examine the effectiveness of regulatory frameworks in preventing unethical practices.
4. To evaluate the impact of digital transformation on ethical decision-making in financial services.
5. To suggest strategies for enhancing ethical practices in the financial industry.

IV. SCOPE OF THE STUDY:

This study focuses on ethical challenges in financial consultancy firms, with emphasis on fraud, transparency, and corporate governance. It evaluates the effectiveness of ethical practices in firms like FNB, examines stakeholder perceptions, and explores the ethical implications of digital financial services. The study also assesses how ethical policies influence trust and reputation, while identifying key areas for improvement in governance, transparency, regulation, and customer awareness.

V. LIMITATIONS OF THE STUDY:

- The study focused on select variables such as ethical transparency and digital risk, excluding factors like financial literacy and cultural values.
- Data was collected using structured, Likert-scale questionnaires, which may have introduced response bias
- The exclusive use of quantitative methods limited the depth of contextual insights that qualitative approaches could provide.

VI. REVIEW OF LITERATURE:

1. **Smith, Johnson, and Patel (2024)** explore the ethical concerns surrounding digital finance, fintech firms, and the rise of algorithm-driven financial decision-making. The study highlights that while digital finance has increased accessibility and efficiency, it has also introduced new ethical challenges, including data privacy concerns, algorithmic biases, and cybersecurity threats.
2. **The Edelman Trust Barometer (2023)** reveals that trust in financial services remains low due to scandals involving market manipulation, insider trading, and unethical lending practices. Despite stricter regulations, financial institutions struggle to rebuild consumer confidence, as customers perceive profit-driven motives taking precedence over ethical behavior. The report emphasizes the importance of transparency, fair lending, and consumer-centric policies in restoring trust.
3. **PwC (2023)** finds that 46% of financial firms reported fraud-related issues, including cybercrime, insider trading, and financial misrepresentation. Weak internal controls and regulatory loopholes allow fraudulent activities to persist. The study emphasizes the need for proactive risk management, whistleblower protections, and ethical leadership to mitigate fraud risks. Strengthening financial reporting transparency is crucial for restoring public trust.
4. **Singh (2023)** in "Corporate Governance and Ethics in Finance" examines the role of whistleblower protections in uncovering unethical financial practices. The study finds that many financial institutions discourage employees from reporting misconduct due to fear of reputational damage. Singh argues that an effective whistleblower system enhances corporate accountability and

transparency. The book discusses several case studies where major financial frauds were exposed through internal whistleblowers.

VII. RESEARCH METHODOLOGY:

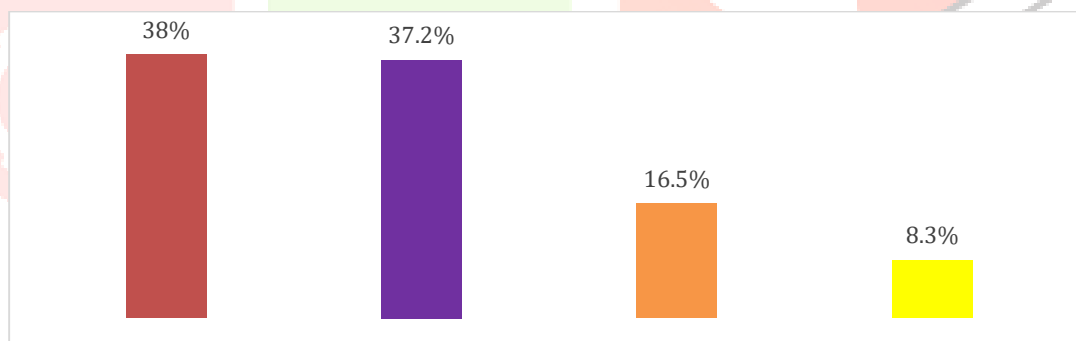
The study followed a descriptive research design to explore ethical challenges in financial services, focusing on FNB Financial Consultancy. This study involves both primary and secondary sources of data. The primary source of data has been collected through questionnaire. The Secondary source data has been collected from journals, reports, and online sources on business ethics. The sample size chosen for the study is 121. The research study was conducted for 3 months. Statistical tools were used for the study using SPSS Software.

VIII. DATA ANALYSIS AND INTERPRETATION:

A. Percentage Analysis:

Table 1: The Age Group of the Respondents:

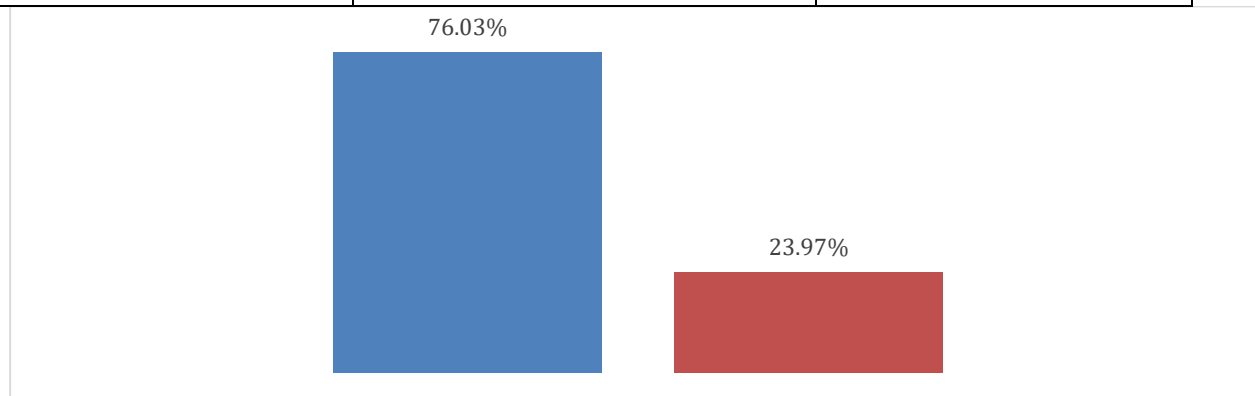
AGE GROUP (IN YEARS)	RESPONDENTS	PERCENTAGE (%)
Less than 25	46	38
25 – 30	45	37.2
30 – 40	20	16.5
Above 40	10	8.3
TOTAL	121	100



INFERENCE: The above table indicates that 38% of the respondents are in the age group of below 25 years, 37.2% of the respondents are in the age group of above 25 years - 30 years, 16.5% of the respondents are in the age group of 30 Years – 40 years and 8.3% of the respondents are in the age group of above 40 years.

Table 2: Gender of the Respondents:

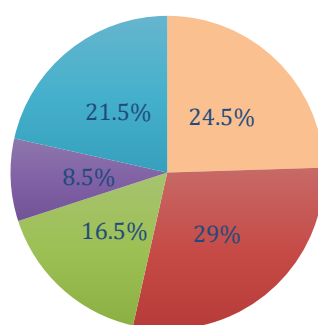
GENDER	NO. OF RESPONDENTS	PERCENTAGE (%)
Male	92	76.03
Female	29	23.97
TOTAL	121	100



INFERENCE: The above table shows that 76.03% of respondents are Male and 23.97% of respondents are Female.

Table 3: The Occupation of the Respondents:

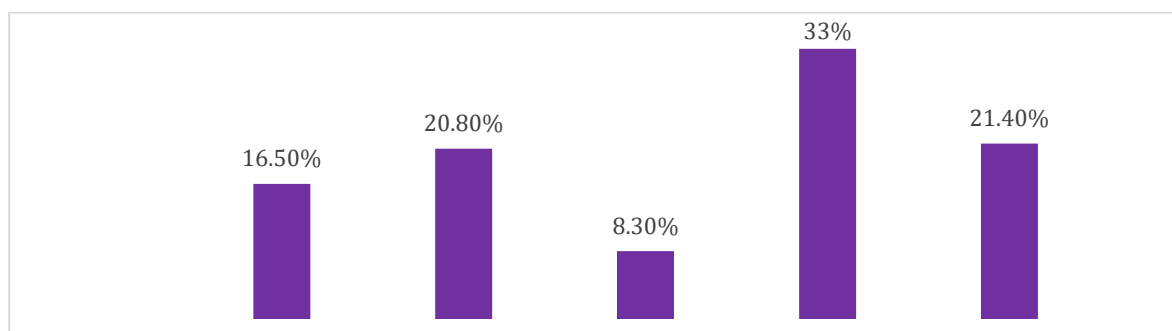
OCCUPATION	NO. OF RESPONDENTS	PERCENTAGE (%)
Banking and Financial services	30	24.5
Financial Professionals	35	29
Entrepreneurs	20	16.5
Investors	10	8.5
Customer	23	21.5
TOTAL	121	100



INFERENCE: The above table indicates that 24.5% of the respondents are Banking and Financial service, 29% of the respondents are Financial Professionals, 16.5% of the respondents are Entrepreneurs and 8.5% of the respondents are Investors and 21.5% of the respondents are Customer.

Table 4: Frequency of fraud in Financial services:

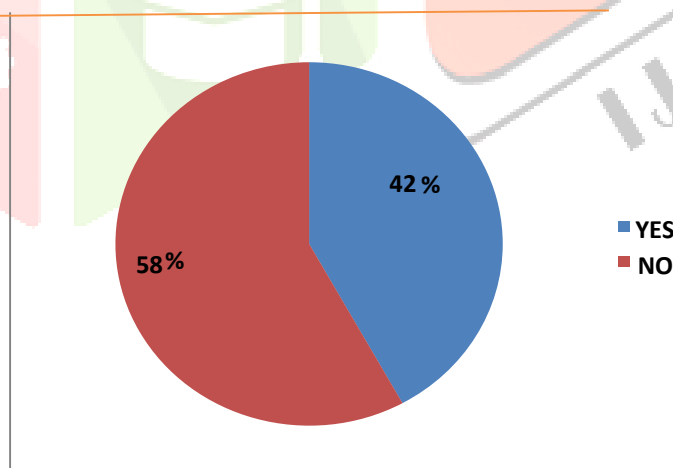
OPINION	NO. OF RESPONDENTS	PERCENTAGE (%)
Very Frequently	20	16.5
Frequently	25	20.8
Occasionally	10	8.3
Rarely	40	33
Never	26	21.4
TOTAL	121	100



INFERENCE: The above table indicates that 33% believe fraud occurs rarely, 21.4% say it never occurs, 20.8% say frequently, 16.5% say very frequently, and 8.3% say occasionally.

Table 5: Ethical issues impact customer trust and decision making:

OPTION	NO. OF RESPONDENTS	PERCENTAGE (%)
Yes	51	42
No	70	58
TOTAL	121	100

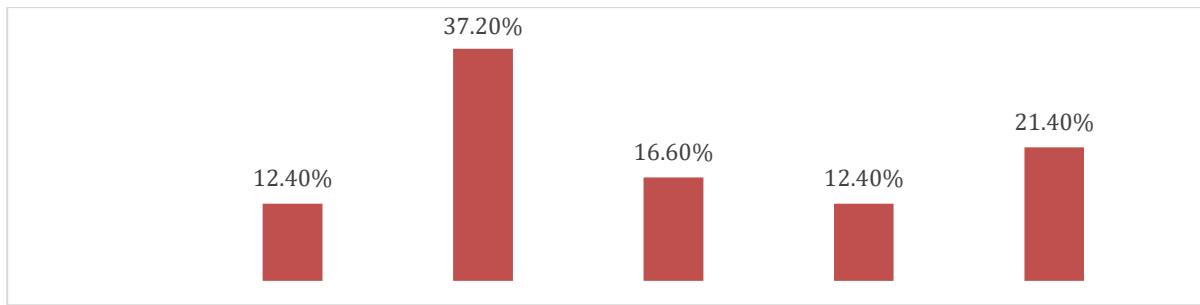


INFERENCE: The above table indicates that 42% of the respondents are saying yes in ethical issues impacting customer trust and decision making followed by 58% of the respondents are saying No.

Table 6: Effectiveness of Corporate Governance in Preventing Ethical Violations:

OPTION	NO. OF RESPONDENTS	PERCENTAGE (%)
Highly effective	15	12.4
Somewhat effective	45	37.2
Neutral	20	16.6
Not very effective	15	12.4

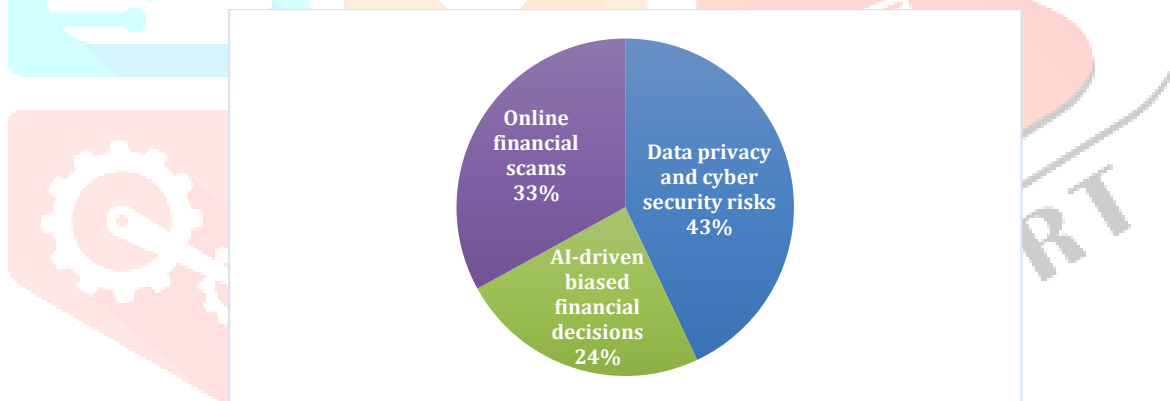
Not effective at all	26	21.4
TOTAL	121	100



INFERENCE: The above table reveals that 12.4% of the respondents consider corporate governance to be highly effective in preventing ethical violations, while 37.2% view it as somewhat effective. Additionally, 16.6% remain neutral, 12.4% believe it is not very effective, and 21.4% feel it is not effective at all in preventing ethical violations.

Table 7: Impact of Digital Financial Services on Ethical risks:

CONCERNS	NO. OF RESPONDENTS	PERCENTAGE (%)
Data Privacy and Cybersecurity	52	43
AI-driven biased decisions	29	24
Online financial scams	40	33
TOTAL	121	100



INFERENCE: The above table shows that 43% of the respondents are most worried about data privacy and cyber security risks, 24% are most worried about AI-driven biased financial decisions, and 33% are most worried about online financial scams.

B. CORRELATION:

Null Hypothesis (H_0): There is no significant correlation between Ethical Transparency, Trust in AI and Automation

Alternative Hypothesis (H_1): There is a significant correlation between Ethical Transparency, Trust in AI and Automation

Correlations

			Ethical Transparency	Trust in AI and Automation
Spearman's rho	Ethical Transparency	Correlation Coefficient	1.000	.384
		Sig. (2-tailed)	.	.000
		N	121	121
	Trust in AI and Automation	Correlation Coefficient	.462	1.000
		Sig. (2-tailed)	.000	.
		N	121	121

CONCLUSION: The results show that all three variables are positively correlated with each other, with correlation values ranging from 0.384 to 0.462. This indicates a moderate positive relationship, suggesting that as one variable increases, the others tend to increase as well. Therefore, Ethical Transparency, Trust in AI, and Digital Risk Concern are interrelated in the context of financial services.

C. KRUSKAL WALLIS – H TEST:

Null Hypothesis (H_0): There is no significant difference between the mean ranks of the respondent's age groups with respect to the variable Ethical Transparency

Alternative Hypothesis (H_1): There is a significant difference between the mean ranks of the respondent's age groups with respect to the variable Ethical Transparency

Test Statistics^{a,b}

	Ethical Transparency
Chi-Square	1.753
df	4
Asymp. Sig.	.043

a. Kruskal Wallis Test

b. Grouping Variable: Income

CONCLUSION: Since the significance value ($P = 0.043$) is less than the standard threshold of 0.05 ($P > 0.05$). Therefore, this means that there is a statistically significant difference in ethical transparency across age groups. Hence, the null hypothesis is rejected.

D. CHI – SQUARE TEST:

Null Hypothesis (H_0): There is no significant association between occupation of the respondents and their experience or observation of unethical practices in financial consultancy services

Alternative Hypothesis (H_1): There is a significant association between occupation of the respondents and their experience or observation of unethical practices in financial consultancy services

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.743 ^a	4	.002
Likelihood Ratio	16.812	4	.002
Linear-by-Linear Association	.132		
N of Valid Cases	121		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 6.94.

CONCLUSION ∴ The result of the Chi-Square test shows a Chi-Square value of 16.743 and a p-value of 0.002, which is less than 0.05. Hence, the Null Hypothesis (H_0) is rejected, and the Alternative Hypothesis (H_1) is accepted

IX. FINDINGS :

- It is found that Most of the respondents (38%) fall under the age group of less than 25 years
- It is found that the Majority of the respondents (76.03%) are Male.
- It is found that the Majority of the respondents (56.35%) are financial professionals by occupation
- It is found that Most of the respondents (33%) believe fraud occurs rarely in financial services
- It is found that the majority of the respondents (58%) believe ethical issues do not impact customer trust and decision making
- It is found that most of the respondents (37.2%) feel ethical violations are somewhat effectively prevented
- It is found that most of the respondents (43%) are concerned about data privacy and cyber security

X. SUGGESTIONS :

- ❖ Since 33% of respondents believe fraud occurs rarely, strengthening fraud prevention through better communication, education, and transparent anti-fraud measures is needed.
- ❖ With 40% stating ethical enforcement in firms like FNB has occasional lapses, internal controls and consistent application of ethical guidelines should be enhanced.
- ❖ As 33% feel ethical policies are weak, robust policies with clear codes of conduct and regular training are recommended.
- ❖ Since 21% see no visible enforcement of ethical standards at FNB, increasing transparency, accountability, and disciplinary actions is essential.
- ❖ With 24% concerned about AI-driven biased decisions, ethical use of AI should be ensured through transparent algorithms and bias monitoring.

XI. CONCLUSION :

The study concludes that ethical challenges in financial services remain a significant concern, particularly in consultancy firms like FNB. While most respondents acknowledge rare instances of fraud (33%) and some level of ethical governance, many still perceive lapses in enforcement and weak ethical policies. A substantial portion of respondents (43%) express concern over data privacy and cybersecurity, reflecting the growing ethical risks associated with digital transformation. Furthermore, 24% highlight the threat of AI-driven biased decisions, emphasizing the need for transparent algorithmic practices. The findings suggest that enhancing ethical standards, strengthening internal controls, and promoting digital ethics are essential for restoring trust and ensuring responsible conduct.

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