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**THE CRUCIAL ETHICAL FACTORS OF BANKING SECTOR IN
NORTHERN CYPRUS**

GRADUATION THESIS

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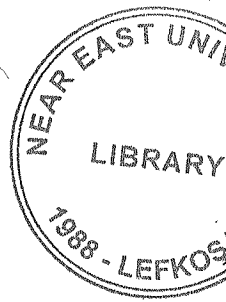
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ABSTRACT



Competitive advantage and longstanding survival of the banking sector do not depend only on market oriented service production but also on winning public confidence. The crucial condition of winning public confidence is to comply with ethical standards. In this respect, the main aim of this study is to determine the perceived ethical quality of commercial banks from the viewpoint of SMEs in Northern Cyprus. As a summary of the research 21 ethical principles used in the research have been grouped into 3 factors for which perceived ethical behaviors are not satisfactory.

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1. INTRODUCTION

1.1 Statement of Topic

Historical lessons taken as a result of banking crisis reveal that public confidence is the key to the success and survival of commercial banks. Uncertainty about the health of the banking system in general can lead to runs on banks both good and bad, and the failure of one bank can hasten the failure of others (referred to as the *contagion effect*). If nothing is done to restore the public's confidence, a bank panic can ensue (Mishkin, 2007, p. 280). Therefore, regulatory authorities take necessary measures to restore and preserve public confidence. However, commercial banks should also put their best foot forward to gain public confidence and hence reputation. Unsurprisingly, perceived ethics of a company affect its reputation. Good reputations ensure long term success. With them you get better people, better sales and a better bottom line. Realizing that good strategy and prudent management is *sine qua non* for business success no businesses will survive for very long on a record of acting unethically (Green, 1989, p. 631). In other words, banking is fundamentally a business of trust. If we don't have our customers' trust, we won't have their business (Ferguson, 2004, p.14).

1.2. Purpose of the study

According to the '1998 Census of General Industry and Workplace' which was made firstly by T.R.N.C Prime Ministry State Planning Organization's Statistics and Research Department, SMEs constitute approximately 99,8 percent of the number of the total enterprises. The share of these SMEs in the total employment is approximately 80 percent (Songür, 2002, p.1). Given the importance of SMEs for the economy of TRNC and ethical conformance for the long-term success of commercial banks the aim of this study is to

investigate ethical perceptions of Small and Medium Sized Enterprises (SMEs) towards commercial banks in Northern Cyprus and to make recommendations accordingly so as to increase the ethical conformance of the banks. Furthermore, the relationships “between ethical perceptions of SMEs and their bank satisfaction” and “between their bank satisfaction and worth of mouth” are also examined. Being the backbone of the economy perceptions of SMEs in Northern Cyprus can be assessed as the forthcoming indicator of banks’ ethical quality.

1.3. Research Questions

According to the objectives of the study, the following questions hypothesized in the methodology section will be answered:

- *Are commercial banks’ perceived conformances for ethical principles towards SMEs satisfactory? Or not?*
- *Are commercial banks’ perceived conformances for ethical factors determined according to factor analysis towards SMEs satisfactory? Or not?*
- *Is there any significant correlation between ethical factors?*
- *Are there significant differences between the assessments according to SMEs’ demographic factors and perceived ethical factors?*

1.4 Structure of the Study

The study is structured to consist of the following parts:

- Part 1 is devoted to introduction explaining the topic, objectives and research questions.

- Part 2 is related to theoretical foundations of the study.
- Part 3 explains the basic methods, tests and analysis used in study.
- Discussion of findings and hypotheses testing take place in Part 4.
- In the final part conclusive remarks are made and managerial implications are provided.

2. LITERATURE REVIEW

Ethical quality of commercial banks is directly related to the compliance with the standards of good banking practices formularized as "code of banking ethics". These standards are necessary to ensure that the existing respect for the banking profession in the society is set on a permanent footing, to maintain and improve this social respect, called also as professional honor, and to maintain and protect the stability and trust in the banking sector (TBB 2006, p. 1; Stein and Yassa 2005). Since being perceived as trustworthy is crucial for the survival of a bank (Chiami and Fullenkamp, 2002), a respectable bank, being an intermediary between the depositor and creditor is expected to have honesty, integrity (Provis, 2001; Lynch, 1991, p.3), social responsibility, accountability and fairness not to damage reputation and prevent financial loss (Carse, 1999; Souter et al., 1994; Brickley et al, 2002, pp.1821-1835). Therefore, commercial banks must act in a manner that merits public trust, confidence and reputation by integrating core values - such as honesty, trust, respect, and fairness -- into its policies, practices, and decision making and apprehending compliance with legal standards and adherence to internal rules and regulations. Although it is almost impossible to come across with any respectable bank that would claim *not* to attach high importance to core ethical values, to accept bribes in return for loans, to lend to connected parties and to cheat customers, it is observed that there is sometimes a gap between what banks claim and what they do. History demonstrated that bribery and corruption have been one of the root causes of the banking problems (Carse, 1999). Some of the common non-ethical behaviours in the banking sector can be revealed as bribery, misuse of authority, and exploitation (Hauri 2000; Carse 1999), connected lending (Eichengreen & Rose 1988, p.2; Hoening, 1999; Goldstein & Turner 1996, p.21), Lack of transparency (Coşkun 2001, p.4) and the political interferences (Parasız 2000, p.227; Öçal & Çolak 1999, pp. 284-285). When the banking crises starting at the beginning of 2000 in Northern Cyprus is analyzed, it is founded

out that unethical behaviours such as working against regulations, political interference, asymmetric information, fraud of bank owners and connected lending were among the root causes (Şafaklı 2005, pp. 28-29; Şafaklı 2003).

In their study Hortacsu and Gunay (2004) specified non-ethical behaviors as fraud and forgery, bribery, customer discrimination, power pressure, lying and cheating, robbery by workers, insider trading, spreading negative information and refraining from undesirable information, industry espionage, harming the environment, interest conflict, breaching personal secrecy and money laundering .

Schwartz, (2002) pointed out the set of universal moral standards including (1) trustworthiness; (2) respect; (3) responsibility; (4) fairness; (5) caring; and (6) citizenship.

Cowton (2002) emphasized the importance of three aspects of ethics in banking as integrity, responsibility and affinity.

Banyard (2006) considers the issue of transparency in today's global banking industry.

Cowton and Thomson (2000) stated the ethical behavior of improving the quality of natural environment.

Waddock (2006) examined the related efforts to create more corporate responsibility, accountability, and transparency.

Tsahuridu and Perryer (2002) studied the linkage between ethics and integrity.

In the banking sector of many countries, the main ethical principles such as honesty, impartiality, trustworthiness, harmonization with the legislation of the bank and transparency, integrity, responsibility, accountability, social responsibility and justice have been introduced in written form and taken into consideration (Şafaklı 2006, p.113). Basic code of banking ethics applied practically consists of transparency of transactions, confidentiality and banking secrecy, collecting and keeping information on customers, proper use and care of information and proper record keeping, giving right to suspicion, promotion of banking services, service to customers, handling customers complaints, compliance with the Code, honesty, impartiality, reliability, observing social benefit and respect to environment, fighting with laundering of crime-originated assets, insider trading, avoiding conflicts of interest, refraining from bribery and corruption, self development and development of others, positive and fair dealings with officials, government representatives and competitors (Hellenic Bank Association 1997; TBB 2006; Alliance Bank 2006; Central Bank of Kenya, 2006; International Moscow Bank 2006; The First national Bank in Trinidad 2006; The Bank of New York 2006).

3. TRNC BANKING SECTOR

The number of banks in the TRNC has drastically gone down from 37 in 1999 to the current 23 as shown in Table 1. The driving force behind this fall has been the economic and financial crises, which swept the country starting from late 1999 through 2000 and most of 2001. These banks now functioning under the new Banking Law has come into force in November 2001. The new law includes a large number of amendments in its content (when compared with the original 1976 law) in an attempt to safeguard the banking system against future probable crises. The distribution of the banks by sectors is given below:

Table 1: Distribution of Banks (December 2006)

| SECTOR | NUMBER |
|---|-----------|
| State Banks | 1 |
| Cooperative Banks (operating under the Banking Law) | 2 |
| Commercial Banks | 14 |
| Foreign Banks | 6 |
| TOTAL | 23 |

Source: TRNC Central Bank (Unpublished data).

The share of the banking sector in GDP has been steadily going down since 1999, until then it had followed an upward trend. Its share was 6.3% with 568.4 million TL (in 1977 prices) and has decreased to 4.8% with 416.1 million TL (in 1977 prices – see Table 2 and Table 3). Unfortunately, its share decreased to 3.2 % which is lower than the level in 1996. Again, the economic crises have been the main driving force behind this decline. It is interesting to note that the current share is almost the same as the sector's share back in 1992; hence, it could be deduced that the crisis took the sector ten years back in development.

Table 2: Sectoral Developments in Gross National Product (GNP)

| Sectors | (1977 Prices Million TL) | | | | | | | |
|-----------------------------------|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2006 |
| 1. Agriculture | 870.8 | 601.0 | 636.2 | 822.0 | 713.5 | 828.4 | 869.3 | 1,177.9 |
| 2. Industry | 982.2 | 1,017.7 | 1,029.6 | 1,054.2 | 1,096.0 | 1,025.0 | 1,057.4 | 1,444.7 |
| 3. Construction | 523.3 | 647.5 | 694.6 | 708.6 | 841.4 | 669.6 | 643.2 | 1,718.1 |
| 4. Trade-Tourism | 1,244.5 | 1,317.9 | 1,450.9 | 1,558.7 | 1,474.6 | 1,246.4 | 1,366.3 | 2,476.3 |
| 5. Transport-Communication | 856.9 | 937.3 | 974.6 | 1,043.3 | 1,113.6 | 1,108.2 | 1,128.2 | 1,558.5 |
| 6. Financial Institutions | 423.7 | 482.1 | 524.4 | 568.4 | 529.6 | 434.3 | 416.1 | 445.0 |
| 7. Ownership Of Dwellings | 417.2 | 428.7 | 440.6 | 451.7 | 461.7 | 475.8 | 493.4 | 549.4 |
| 8. Business and Personal Services | 518.5 | 655.7 | 679.2 | 784.0 | 700.0 | 800.1 | 801.0 | 1,504.1 |
| 9. Public Services | 1,351.1 | 1,358.6 | 1,406.1 | 1,438.6 | 1,483.3 | 1,461.7 | 1,460.0 | 1,807.8 |
| 10. Import Duties | 449.5 | 521.1 | 547.6 | 584.4 | 604.5 | 486.2 | 523.7 | 1,355.6 |
| 11. GDP | 7,637.7 | 7,967.6 | 8,383.8 | 9,013.9 | 9,018.2 | 8,535.7 | 8,758.6 | 14,037.5 |
| 12. Net Factor Income From Abroad | 35.7 | 22.8 | 84.3 | 76.9 | 19.7 | 10.2 | 10.7 | 326.5 |
| GNP | 7,673.4 | 7,990.4 | 8,468.1 | 9,090.8 | 9,037.9 | 8,545.9 | 8,769.3 | 14,364.0 |
| Provisional Figures | | | | | | | | |

Source: State Planning Organization

Table - 3 Sectoral Distribution of Gross Domestic Product (1977 Prices, %)

| Sectors | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2006 |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1. Agriculture | 11.4 | 7.6 | 7.6 | 9.1 | 7.9 | 9.7 | 9.9 | 8.4 |
| 2. Industry | 12.9 | 12.8 | 12.3 | 11.7 | 12.2 | 12.0 | 12.1 | 10.3 |
| 3. Construction | 6.8 | 8.1 | 8.3 | 7.8 | 9.3 | 7.8 | 7.3 | 12.2 |
| 4. Trade-Tourism | 16.3 | 16.5 | 17.3 | 17.3 | 16.4 | 14.6 | 15.6 | 17.6 |
| 5. Transport-Communication | 11.2 | 11.8 | 11.6 | 11.6 | 12.3 | 13.0 | 12.9 | 11.1 |
| 6. Financial Institutions | 5.5 | 6.0 | 6.2 | 6.3 | 5.9 | 5.1 | 4.8 | 3.2 |
| 7. Ownership Of Dwellings | 5.5 | 5.4 | 5.3 | 5.0 | 5.1 | 5.6 | 5.6 | 3.9 |
| 8. Business and Personal Services | 6.8 | 8.2 | 8.1 | 8.7 | 7.8 | 9.4 | 9.1 | 10.7 |
| 9. Public Services | 17.7 | 17.1 | 16.8 | 16.0 | 16.4 | 17.1 | 16.7 | 12.9 |
| 10. Import Duties | 5.9 | 6.5 | 6.5 | 6.5 | 6.7 | 5.7 | 6.0 | 9.7 |
| GDP | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Provisional Figures | | | | | | | | |

Source: State Planning Organization

As seen from Table 4 (Real Growth Rates), almost all sectors in TRNC economy have been considerably affected by the economic crises after 1999. The growth rates, which had been in an upward trend until then, dropped heavily in 2000 and 2001. However, the downward trend seems to be stabilizing for 2002, except for the Construction and the financial sectors. For 2002, a positive real growth rate is expected for all sectors; however, it seems that the recovery for the banking sector (and the construction sector) will take a longer time as still a negative growth rate is projected for this vital sector of the TRNC economy. A negative growth rate of -4.2% is the lowest among all sectors for 2002. Growth rate for 2006 is lower than the growth rate for 1996.

Table – 4 Real Growth Rates of Sectoral Value Added (%) in TRNC

| Sectors | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2006 |
|-----------------------------------|-------|-------|-------|------|-------|-------|------|------|
| 1. Agriculture | 8.9 | -31.0 | 5.9 | 29.2 | -13.2 | 16.1 | 4.9 | -0.1 |
| 2. Industry | -1.9 | 3.6 | 1.2 | 2.4 | 4.0 | -6.5 | 3.2 | 5.9 |
| 3. Construction | 3.1 | 23.7 | 7.3 | 2.0 | 18.7 | -20.4 | -3.9 | 35.2 |
| 4. Trade-Tourism | -10.6 | 5.9 | 10.1 | 7.4 | -5.4 | -15.5 | 9.6 | 2.3 |
| 5. Transport-Communication | 5.5 | 9.4 | 4.0 | 7.0 | 6.7 | -0.5 | 1.8 | 4.8 |
| 6. Financial Institutions | 3.5 | 13.8 | 8.8 | 8.4 | -6.8 | -18.0 | -4.2 | 2.9 |
| 7. Ownership Of Dwellings | 1.6 | 2.8 | 2.8 | 2.5 | 2.2 | 3.1 | 3.7 | 4.4 |
| 8. Business and Personal Services | 84.8 | 26.5 | 3.6 | 15.5 | -10.7 | 14.3 | 0.1 | 17.5 |
| 9. Public Services | 2.6 | 0.6 | 3.5 | 2.3 | 3.1 | -1.5 | -0.1 | 6.3 |
| 10. Import Duties | 4.9 | 15.9 | 5.1 | 6.7 | 3.4 | -19.6 | 7.7 | 0.2 |
| 11. GDP | 3.8 | 4.3 | 5.2 | 7.5 | . | -5.4 | 2.6 | 7.8 |
| 12. Net Factor Income From Abroad | -63.5 | -36.1 | 269.3 | -8.8 | -74.4 | -48.2 | 4.9 | 5.1 |
| GNP | 2.9 | 4.1 | 6.0 | 7.4 | -0.6 | -5.4 | 2.6 | 7.8 |

Source: State Planning Organization

The banking sector had been booming until the crisis and a true indication of this had been the number of people employed in the sector. Until 2000, both the employment and its share in the economy had been increasing; however, due to a decrease in number of banks by 12 as a result of the banking crisis, these figures have gone down in the recent years. Currently, only 2.6% (2,397 people) of the working population is employed in the sector, and this number is equal to the sector's share of back in 1988, 14 years ago. Unfortunately, the share of financial institutions in employment is at the lowest level in 2006.

Table – 5 Sectoral Distribution of Working Population in TRNC

| Sectors | 1996 | % | 1997 | % | 1998 | % | 1999 | % | 2000 | % | 2001 | % | 2002 | % | 2006 | % |
|--|--------|------|--------|------|--------|------|--------|------|--------|------|--------|------|--------|------|---------|-------|
| 1. Agriculture ¹ | 16,862 | 21.0 | 16,188 | 19.5 | 15,864 | 18.7 | 15,547 | 17.8 | 15,236 | 17.1 | 14,931 | 16.5 | 14,632 | 15.8 | 12,423 | 11.0 |
| 2. Industry | 8,356 | 10.4 | 8,428 | 10.1 | 8,481 | 10.0 | 8,552 | 9.8 | 8,715 | 9.6 | 8,715 | 9.6 | 8,889 | 9.6 | 10,157 | 9.0 |
| 3. Construction | 9,792 | 12.2 | 11,547 | 13.9 | 12,177 | 14.3 | 12,361 | 14.1 | 14,104 | 15.8 | 14,104 | 15.6 | 14,104 | 15.3 | 23,022 | 20.3 |
| 4. Trade-Tourism ² | 8,367 | 10.4 | 8,730 | 10.5 | 9,095 | 10.6 | 9,536 | 10.9 | 9,630 | 10.8 | 9,630 | 10.7 | 10,565 | 11.4 | 13,683 | 12.3 |
| 5. Transport-Communication | 6,734 | 8.4 | 7,192 | 8.6 | 7,389 | 8.7 | 7,747 | 8.8 | 8,104 | 9.1 | 8,104 | 9.0 | 8,221 | 8.9 | 10,280 | 9.1 |
| 6. Financial Institutions | 2,456 | 3.1 | 2,693 | 3.2 | 2,858 | 3.4 | 3,026 | 3.5 | 2,397 | 2.7 | 2,397 | 2.7 | 2,397 | 2.6 | 2,635 | 2.3 |
| 7. Business and Personal Services ³ | 10,848 | 13.5 | 11,454 | 13.8 | 11,750 | 13.8 | 13,057 | 14.9 | 13,057 | 14.6 | 14,401 | 15.9 | 15,469 | 16.8 | 20,019 | 17.7 |
| 8. Public Services ⁴ | 16,899 | 21.0 | 16,972 | 20.4 | 17,399 | 20.5 | 17,689 | 20.2 | 18,084 | 20.2 | 18,084 | 20.0 | 18,084 | 19.6 | 21,180 | 18.7 |
| Total Employment | 80,314 | 100 | 83,204 | 100 | 85,013 | 100 | 87,515 | 100 | 89,327 | 100 | 90,366 | 100 | 92,361 | 100 | 113,399 | 100.0 |

¹ Sub-sectoral distribution of Agriculture was not possible after 1982 due to lack of data.

² Trade and tourism sectors were considered separately after 1982.

³ Business and Personal services were included in Public Services before 1983.

⁴ SEE and Municipalities are included.

⁵ Provisional Figures

Source: State Planning Organization

4. METHODOLOGY

As pointed out above the main aim of the research is to investigate ethical perceptions of Small and Medium Sized Enterprises (SMEs) towards commercial banks in Northern Cyprus and to determine the impact of these perceptions on their bank satisfaction in order to make recommendations accordingly so as to increase the ethical conformance of the banks. The research applying non-probability convenience sampling towards the owners/managers of SMES operating in versatile sectors at the township of Nicosia was conducted during the period of May 2007, completing 239 valid questionnaires. The questionnaire used in the study is comprised of four parts. Part A contains demographic profile of respondents including gender, age group, marital status, education, relevant sector, type of commercial bank they usually work with. Part B includes perceptions of respondents using a seven-point Likert scale ranging from "strongly disagree=1" to "strongly agree=7" so as to measure the satisfactory level for 21 ethical behavior as the code of ethics. According to literature review of theoretical and practical issues the 21 ethical behaviors are determined as considering public benefit, refraining from misinformation, honesty, refraining from bribery, secrecy, social responsibility, accuracy, objectivity, confidentiality, respecting customers, not to lie, transparency, good sense, independency, open minded, consistency, quality of services, harmonization with legislation, impartiality, escaping from unfair competition and finalization of customers' complaints. In part C and D respondents are required to express their "degree of overall satisfaction with the bank" and "degree of recommendation of the bank to others" respectively by using five-point Likert scale ranging from "1=very bad" to "5=very good". The data was analyzed with the Statistical Package Program for Social Sciences (SPSS 12 for Windows). Both demographic and ethical items were tested to check if they were parametric or not. According to "One-Sample Kolmogorov-Smirnov Test" all variables proved to be normally distributed (Appendix 1). Therefore, parametric tests have

been applied in the study. Respondents' ratings on the satisfactory level of ethical variables were subjected to principal factor analysis to identify a small number of factors that may be used to represent relationship among sets of interrelated variables. The hypotheses to be tested in the study are given as follows:

H1. Perceived ethical variables for commercial banks are not satisfactory

H2. Perceived ethical factors for commercial banks are not satisfactory

H3. . There are no significant differences between the assessments according to SMEs' demographic factors and perceived ethical factors.

The basic analysis and tests utilized in the study include frequency and percentage analysis, "one-sample *t* test", "independent-samples *t* tests", "paired-samples *t* tests", "One-Way ANOVA test", "reliability analysis", "factor analysis"

4.1 T test: T test is a procedure used for comparing sample means to see if there is sufficient evidence to infer that the means of the corresponding population distributions also differ. SPSS provides three different types of T tests:

4.1.1 Independent samples *t* test: The first type, the Independent-samples *t* test, compares the means of two different samples. The two samples share some variable of interest in common, but there is no overlap between memberships of the two groups.

4.1.2 Paired-sample *t* test: The second type of *t* test, the paired-samples *t* tests, is

Usually based on groups of individuals who experience both conditions of the variable of

Interest.

4.1.3 One-sample t test: The third type of test is a one-sample t test. It is designed to test mean of a distribution differs significantly from some present value.

(George, D. and Mallery, P. (2001) p:122)

4.2. One- way ANOVA test: Analysis of variance is a procedure used for comparing sample means to see if there is sufficient evidence to infer that the means of the corresponding population distributions also differ. (George, D. and Mallery, P. (2001). p:131)

4.3. Reliability analysis: Many constructs are measured in which a subset of relevant items is selected, administered to subject, and scored- and then inferences are made about the true population values. (George, D. and Mallery, P. (2001) p:208)

4.4. Factor analysis: Factor analysis is most frequently used to identify a small number of factors that may be used to represent relationships among sets of interrelated variables. (George, D. and Mallery, P. (2001). p:232)

5. DISCUSSION OF FINDINGS AND HYPOTHESES TESTING

The basic findings related to demographic characteristics of owners/managers of SMEs examined in the survey are given in Table 6.

Table 6: Demographic Findings

| Factor | Category | Percentage |
|--|--------------------------------|------------|
| Gender | Male | 69 |
| | Female | 31 |
| Age group | 25 and below | 5.9 |
| | 26-35 | 28.9 |
| | 36-45 | 38.1 |
| | 46 and above | 27.2 |
| Marital status | Single | 22.2 |
| | Married | 74.9 |
| | Widow | 2.9 |
| Education | Primary school | 5.9 |
| | Secondary school | 7.1 |
| | High school | 46.9 |
| | University and Master degree | 39.7 |
| | Doctorate | 0.4 |
| Sector in which SMEs take place | Agriculture | 1.7 |
| | Industry | 5.9 |
| | Construction | 7.5 |
| | Trade-Tourism | 33.1 |
| | Transport-Communication | 1.7 |
| | Financial institutions | 1.3 |
| | Business and Personal Services | 49 |
| Commercial Bank SMEs usually work with | Turkish branch banks | 18.4 |
| | Local banks | 76.2 |
| | HSBC | 5.4 |

As can be seen in the table, sample of SMEs assessing the ethical behavior of commercial banks included more males (69 percent) than females, more high school education (46.9 percent) than other categories, and more married (74.9 percent) than other categories. Majority of them was 45 and below (72.9 percent), operates in the sectors of "business and personal services" and "trade-tourism" (82.1 percent), and usually works with local banks (76.2 percent).

5.1 Testing H1

The results of "one-sample *t* test" reflecting the average perceived ethical behaviors of commercial banks are shown in Table 7.

Table 7: One-Sample Statistics and Test for Perceived Ethical Behaviors of Commercial Banks in Northern Cyprus

| Variables | Mean | Std. Deviation | Sig. (2-tailed) Test Value = 4 (p) |
|--|-------------|----------------|--|
| 1.Considering Public Benefit | 3,22 | 1,69 | ,000 |
| 2.Refraining from misinformation | 3,58 | 1,39 | ,000 |
| 3.Honesty | 3,63 | 1,34 | ,000 |
| 4.Refraining from bribery | 3,50 | 2,31 | ,001 |
| 5.Secretcy | 3,33 | 1,56 | ,000 |
| 6.Social Responsibility | 3,60 | 1,45 | ,000 |
| 7.Accuracy | 3,46 | 1,45 | ,000 |
| 8.Objectivity | 3,63 | 4,14 | ,171 |
| 9.Confidentiality | 3,57 | 1,47 | ,000 |
| 10.Respecting Customers | 3,83 | 1,32 | ,058 |
| 11.Not to lie | 3,43 | 1,47 | ,000 |
| 12.Transparency | 3,21 | 1,59 | ,000 |
| 13.Good Sense | 3,25 | 1,49 | ,000 |
| 14.Independency | 3,09 | 1,62 | ,000 |
| 15.Open minded | 3,30 | 1,54 | ,000 |
| 16.Consistency | 3,40 | 1,47 | ,000 |
| 17.Quality of services | 3,45 | 1,63 | ,000 |
| 18.Harmonization with legislation | 3,48 | 1,48 | ,000 |
| 19.Impartiality | 2,51 | 2,07 | ,000 |
| 20.Escaping from unfair competition | 3,10 | 1,65 | ,000 |
| 21.Finalization of customers' complaints | 3,29 | 1,91 | ,000 |

Values of Scale: 1= strongly disagree, 2= disagree, 3= partly disagree 4= Undecided, 5= partly agree, 6= agree and 7= strongly agree

According to "One-Sample t-test", the means of perceptions have been tested if they differ significantly from 4 which are tantamount to "undecided" as shown in Table 8. This one-sample *t* test analysis indicates that means of 19 out of 21 ethical principles are significantly lower at the $p < 0.05$ level than 4 while the means of remaining 2 ethical behaviors which are *objectivity* and *respecting customers* do not significantly differ from 4 at the same level. In other words, perceived ethical behaviors of commercial banks are either unsatisfactory or undecided position. Therefore, *H1* can be accepted. After the "one-sample *t* test" for ethical behaviors, a factor analysis was conducted using varimax rotation (see Table 3).

Table 8: Results of Factor Analysis on 17 Variables and its three dimensions

| Factors and Variables | Eigenvalue | Factor loadings | Variance (%) | Cronbach Alpha |
|---------------------------------------|--------------|-----------------|---------------|----------------|
| Factor 1 | 8.172 | | 22.847 | .860 |
| Independency | | | | |
| Open minded | | ,827 | | |
| Social Responsibility | | ,692 | | |
| Escaping from unfair competition | | ,618 | | |
| Secrecy | | ,600 | | |
| Consistency | | ,569 | | |
| Considering Public Benefit | | ,551 | | |
| Factor 2 | 1.555 | ,524 | 20.886 | .875 |
| Refraining from misinformation | | | | |
| Honesty | | ,829 | | |
| Confidentiality | | ,745 | | |
| Accuracy | | ,642 | | |
| Harmonization with legislation | | ,578 | | |
| Not to lie | | ,574 | | |
| Factor 3 | 1.018 | ,560 | 17.116 | .793 |
| Finalization of customers' complaints | | | | |
| Quality of services | | ,850 | | |
| Transparency | | ,708 | | |
| Good Sense | | ,655 | | |
| | | ,553 | | |

Regarding the pre-analysis testing for the suitability of the entire sample for factor analysis, the Kaiser-Meyer-Olkin measure of sampling adequacy was 0.916 and the Bartlett tests of sphericity (2198.628) was significant at $p < 0.01$, thus, indicating that sample was suitable for factor analytic procedures. According to analysis, factors with eigenvalues greater than 1.0 and factor loadings that are equal to or greater than 0.50 were retained. 17 items, loading under three dimensions were extracted from the analysis except four items that are *objectivity*, *refraining from bribery*, *impartiality* and *respecting customers* and these 17 items explained 60.848 percent of the overall variance. As it is understood, along with the pre-reliability and factor analysis, the variables whose averages do not significantly differ from 4 are taken out of the consideration. Therefore, all the variables left show unsatisfactory perceived ethical behavior supporting the acceptance of $H1$.

Overall alpha coefficient as the reliability analysis is 0.930. Items for each subscale were also subjected to reliability analysis. The alpha coefficients for the total scale were 0.860, 0.875

and 0.793 respectively for the three dimensions. Reliability coefficient above 0.7 is considered sufficient (George and Mallery 2001, p. 217).

5.2. Testing H2

The three factors determined according to factor analysis are named as “procedural justice”, “assurance” and “sensitivity”. These factors shown in Table 9 were subjected to “one-sample *t* test”. Average values of perceived ethical behaviors for these three factors are significantly lower than 4 at $p < 0.01$. This leads to the acceptance of *H2* stating that perceived ethical factors for commercial banks are not satisfactory

Table 9: One-Sample Statistics and Test for Ethical Factors

| Factors | Mean | Std. Deviation | Sig. (2-tailed) Test Value = 4 (<i>p</i>) |
|------------------------------|--------|----------------|---|
| Procedural Justice (Factor1) | 3,2977 | 1,16125 | .000 |
| Assurance (Factor2) | 3,5300 | 1,12901 | .000 |
| Sensitivity (Factor3) | 3,3044 | 1,30777 | .000 |

5.3 Testing H3

Referring to demographic characteristics of owners/managers of SMEs in Northern Cyprus at Table 6 “Independent-Samples *t* test” and “One-Way ANOVA test” were used to determine if the means of perceived ethical factors varied among different demographic characteristics (Appendix 2,3,4,5,6 and 7). Findings indicated that only one of the characteristics, *education* yielded significant differences at the 0.01 level for *procedural justice* and 0.05 levels for *assurance* in disparity of perceived ethical factors as shown in Table 10. Both of the perceived ethical factors show similar pattern of behavior. Such that lowest averages of

perceived ethical factors belong to owners/managers of SMEs with secondary school education while highest averages of perceived ethical factors belong to owners/managers of SMEs with primary school education. Eventually, H_4 is rejected for only education as the demographic factor.

Table 10: The Impact of Demographic Variables on the Perceived Ethical Factors Using Analysis of Variance

| | Procedural Justice | Assurance | Sensitivity |
|--|--------------------|-----------|-------------|
| Sex | | | |
| Female | 3,380 | 3,464 | 3,510 |
| Male | 3,260 | 3,559 | 3,212 |
| (F) | 3,214 | 1,913 | 6,953 |
| Age group | | | |
| 25 and below | 3,265 | 3,297 | 3,339 |
| 26-35 | 3,180 | 3,393 | 3,047 |
| 36-45 | 3,299 | 3,582 | 3,343 |
| 46 and above | 3,426 | 3,651 | 3,515 |
| (F) | ,502 | ,847 | 1,494 |
| Marital status | | | |
| Single | 3,000 | 3,295 | 2,943 |
| Married | 3,391 | 3,595 | 3,403 |
| Widow | 3,163 | 3,619 | 3,500 |
| (F) | 2,395 | 1,475 | 2,649 |
| Education | | | |
| Primary school | 3,795 | 4,107 | 3,678 |
| Secondary school | 2,453 | 2,794 | 2,647 |
| High school | 3,434 | 3,601 | 3,457 |
| University and Master degree | 3,215 | 3,498 | 3,189 |
| Doctorate | 3,142 | 3,000 | 3,000 |
| (F) | 3,551** | 3,003* | 1,973 |
| Sector in which SMEs take place | | | |
| Agriculture | 2,178 | 2,291 | 2,062 |
| Industry | 3,142 | 3,131 | 3,535 |
| Construction | 3,325 | 3,787 | 3,652 |
| Trade-Tourism | 3,493 | 3,679 | 3,265 |
| Transport-Communication | 2,964 | 2,958 | 3,312 |
| Financial institutions | 3,571 | 3,611 | 3,250 |
| Business and Personal Services | 3,222 | 3,497 | 3,292 |
| (F) | 1,209 | 1,699 | ,899 |
| Commercial Bank SMEs usually work with | | | |
| Turkish branch banks | 2,974 | 3,352 | 2,892 |
| Local banks | 3,372 | 3,609 | 3,384 |
| HSBC | 3,351 | 3,025 | 3,576 |
| (F) | 2,116 | 2,313 | 2,856 |
| ** $p < 0.01$ * $p < 0.05$ Note: Means are represented in terms of average perceived ethical factors | | | |

6. CONCLUSION AND MANAGERIAL IMPLICATIONS

Historical lessons show that sustainability of organizational success especially for banking sector mainly depends on public confidence. Indispensable part of public confidence relies on ethical conformance. Therefore, ethical conformance is expected to influence bank customer satisfaction. In this study, ethical perceptions of SMEs as the backbone of the Northern Cyprus' economy towards the commercial banks are examined so as to determine their impact on bank satisfaction.

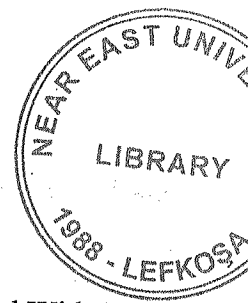
Research findings reveal that perceived ethical behaviors of commercial banks towards SMEs in Northern Cyprus are unsatisfactory. SMEs are not satisfied with the performance of commercial banks, covering the all types of ethical variables.

According to factor analysis ethical variables have been grouped into three crucial ethical factors named as named as "procedural justice", "assurance" and "sensitivity". In terms of these factors, SMEs appraise commercial banks as not performing satisfactory ethical behaviors.

Considering the demographic characteristics of owners/managers of SMEs, perceived ethical behaviors of commercial banks differentiated in terms of only education towards procedural justice and assurance

In the light of conclusive remarks, notable managerial implications that ought to be taken into account by commercial banks should be referred. Commercial banks should pay enough attention to meet the ethical expectations of SMEs in order to smooth the progress of gaining and preserving public confidence. In this regard, procedural justice, assurance and sensitivity

are the vital ethical issues to be focused by commercial banks. Among these ethical issues primary attention should be given to sensitivity since it is the single one significantly influencing bank satisfaction. Furthermore, commercial banks should keep in their mind that the degree of satisfying ethical expectations differentiates according to educational level of managers/owners of SMEs.



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Appendix 1: One-Sample Kolmogorov-Smirnov Test

| Variables | Statistics | | | | | | | |
|----------------|------------|------------------------|----------------|--------------------------|----------|----------|----------------------|------------------------|
| | N | Normal Parameters(a,b) | | Most Extreme Differences | | | Kolmogorov-Smirnov Z | Asymp. Sig. (2-tailed) |
| | | Mean | Std. Deviation | Absolute | Positive | Negative | | |
| Gender | 239 | 1,6904 | ,46331 | ,438 | ,252 | -,438 | 6,778 | ,000 |
| Age | 239 | 2,8661 | ,88336 | ,213 | ,184 | -,213 | 3,292 | ,000 |
| Marital Status | 239 | 1,8075 | ,46357 | ,439 | ,310 | -,439 | 6,790 | ,000 |
| Education | 239 | 3,2176 | ,82168 | ,266 | ,203 | -,266 | 4,110 | ,000 |
| Sector | 239 | 5,2678 | 1,82750 | ,318 | ,237 | -,318 | 4,915 | ,000 |
| Bank | 239 | 1,8703 | ,47181 | ,424 | ,337 | -,424 | 6,558 | ,000 |
| P1 | 239 | 3,2259 | 1,69006 | ,225 | ,147 | -,225 | 3,479 | ,000 |
| P2 | 239 | 3,5816 | 1,39048 | ,221 | ,154 | -,221 | 3,413 | ,000 |
| P3 | 239 | 3,6318 | 1,34664 | ,223 | ,155 | -,223 | 3,444 | ,000 |
| P4 | 239 | 3,5021 | 2,31886 | ,255 | ,255 | -,167 | 3,942 | ,000 |
| P5 | 239 | 3,3389 | 1,56047 | ,229 | ,144 | -,229 | 3,539 | ,000 |
| P6 | 239 | 3,6067 | 1,45958 | ,255 | ,170 | -,255 | 3,938 | ,000 |
| P7 | 239 | 3,4686 | 1,45740 | ,211 | ,147 | -,211 | 3,267 | ,000 |
| P8 | 239 | 3,6318 | 4,14729 | ,367 | ,367 | -,243 | 5,667 | ,000 |
| P9 | 239 | 3,577 | 1,4786 | ,240 | ,168 | -,240 | 3,712 | ,000 |
| P10 | 239 | 3,8368 | 1,32626 | ,269 | ,190 | -,269 | 4,153 | ,000 |
| P11 | 239 | 3,4351 | 1,47919 | ,209 | ,145 | -,209 | 3,237 | ,000 |
| P12 | 239 | 3,2134 | 1,59057 | ,196 | ,131 | -,196 | 3,027 | ,000 |
| P13 | 239 | 3,2552 | 1,49148 | ,181 | ,121 | -,181 | 2,798 | ,000 |
| P14 | 239 | 3,0962 | 1,62541 | ,180 | ,121 | -,180 | 2,775 | ,000 |
| P15 | 239 | 3,3054 | 1,54852 | ,208 | ,137 | -,208 | 3,222 | ,000 |
| P16 | 239 | 3,4059 | 1,47191 | ,201 | ,139 | -,201 | 3,103 | ,000 |
| P17 | 239 | 3,4519 | 1,63367 | ,238 | ,172 | -,238 | 3,681 | ,000 |
| P18 | 239 | 3,4854 | 1,48054 | ,234 | ,153 | -,234 | 3,622 | ,000 |
| P19 | 239 | 2,5146 | 2,07395 | ,165 | ,122 | -,165 | 2,547 | ,000 |
| P20 | 239 | 3,1046 | 1,65817 | ,191 | ,127 | -,191 | 2,949 | ,000 |
| P21 | 239 | 3,2971 | 1,91622 | ,258 | ,187 | -,258 | 3,992 | ,000 |
| M | 239 | 3,8033 | ,87389 | ,355 | ,256 | -,355 | 5,484 | ,000 |
| BÖ | 239 | 3,6904 | ,91461 | ,315 | ,225 | -,315 | 4,862 | ,000 |

a Test distribution is Normal.

b Calculated from data.

Appendix 2: Independent Samples Test between Gender and Ethical Factors

| | Gender | N | Mean | Std. Deviation | Std. Error Mean |
|----|--------|-----|--------|----------------|-----------------|
| F1 | Female | 74 | 3,3803 | 1,07459 | ,12492 |
| | Male | 165 | 3,2606 | 1,19938 | ,09337 |
| F2 | Female | 74 | 3,4640 | 1,04440 | ,12141 |
| | Male | 165 | 3,5596 | 1,16680 | ,09084 |
| F3 | Female | 74 | 3,5101 | 1,06585 | ,12390 |
| | Male | 165 | 3,2121 | 1,39593 | ,10867 |

| | | Levene's Test for Equality of Variances | | t-test for Equality of Means | | | | | | |
|----|-----------------------------|---|------|------------------------------|---------|-----------------|-----------------|-----------------------|---|--------|
| | | F | Sig. | t | df | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference | |
| | | | | | | | | | Lower | Upper |
| F1 | Equal variances assumed | 3,214 | ,074 | ,736 | 237 | ,462 | ,11970 | ,16262 | -,20067 | ,44008 |
| | Equal variances not assumed | | | ,768 | 155,720 | ,444 | ,11970 | ,15596 | -,18836 | ,42777 |
| F2 | Equal variances assumed | 1,913 | ,168 | -,605 | 237 | ,546 | -,09563 | ,15817 | -,40723 | ,21596 |
| | Equal variances not assumed | | | -,631 | 155,862 | ,529 | -,09563 | ,15163 | -,39514 | ,20388 |
| F3 | Equal variances assumed | 6,953 | ,009 | 1,634 | 237 | ,103 | ,29801 | ,18233 | -,06118 | ,65720 |
| | Equal variances not assumed | | | 1,808 | 180,872 | ,072 | ,29801 | ,16481 | -,02718 | ,62321 |

Appendix 3: One-Way ANOVA test between Age Groups and Ethical Factors

| | | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | | Minimum | Maximum |
|----|--------------|-----|--------|----------------|------------|----------------------------------|-------------|---------|---------|
| | | | | | | Lower Bound | Upper Bound | | |
| F1 | 25 and below | 14 | 3,2653 | 1,36318 | ,36433 | 2,4782 | 4,0524 | ,86 | 5,00 |
| | 26-35 | 69 | 3,1801 | 1,34250 | ,16162 | 2,8576 | 3,5026 | -1,00 | 5,00 |
| | 36-45 | 91 | 3,2998 | 1,10083 | ,11540 | 3,0706 | 3,5291 | -,43 | 5,00 |
| | 46 and above | 65 | 3,4264 | ,99312 | ,12318 | 3,1803 | 3,6725 | ,71 | 5,00 |
| | Total | 239 | 3,2977 | 1,16125 | ,07512 | 3,1497 | 3,4456 | -1,00 | 5,00 |
| F2 | 25 and below | 14 | 3,2976 | 1,29789 | ,34688 | 2,5482 | 4,0470 | 1,00 | 5,00 |
| | 26-35 | 69 | 3,3937 | 1,31916 | ,15881 | 3,0768 | 3,7106 | -1,00 | 5,00 |
| | 36-45 | 91 | 3,5824 | 1,01391 | ,10629 | 3,3713 | 3,7936 | -,33 | 5,00 |
| | 46 and above | 65 | 3,6513 | 1,02602 | ,12726 | 3,3970 | 3,9055 | ,00 | 5,00 |
| | Total | 239 | 3,5300 | 1,12901 | ,07303 | 3,3861 | 3,6739 | -1,00 | 5,00 |
| F3 | 25 and below | 14 | 3,3393 | 1,35734 | ,36276 | 2,5556 | 4,1230 | 1,00 | 5,00 |
| | 26-35 | 69 | 3,0471 | 1,55137 | ,18676 | 2,6744 | 3,4198 | -1,00 | 5,00 |
| | 36-45 | 91 | 3,3434 | 1,17121 | ,12278 | 3,0995 | 3,5873 | -,50 | 5,00 |
| | 46 and above | 65 | 3,5154 | 1,17500 | ,14574 | 3,2242 | 3,8065 | ,50 | 5,00 |
| | Total | 239 | 3,3044 | 1,30777 | ,08459 | 3,1377 | 3,4710 | -1,00 | 5,00 |

Test of Homogeneity of Variances

| | Levene Statistic | df1 | df2 | Sig. |
|----|------------------|-----|-----|------|
| F1 | 1,449 | 3 | 235 | ,229 |
| F2 | 1,624 | 3 | 235 | ,185 |
| F3 | 2,639 | 3 | 235 | ,050 |

| | | Sum of Squares | df | Mean Square | F | Sig. |
|----|----------------|----------------|-----|-------------|-------|------|
| F1 | Between Groups | 2,045 | 3 | ,682 | ,502 | ,681 |
| | Within Groups | 318,900 | 235 | 1,357 | | |
| | Total | 320,945 | 238 | | | |
| F2 | Between Groups | 3,244 | 3 | 1,081 | ,847 | ,470 |
| | Within Groups | 300,125 | 235 | 1,277 | | |
| | Total | 303,368 | 238 | | | |
| F3 | Between Groups | 7,617 | 3 | 2,539 | 1,494 | ,217 |
| | Within Groups | 399,426 | 235 | 1,700 | | |
| | Total | 407,043 | 238 | | | |

Appendix 4: One-Way ANOVA test between Marital Status and Ethical Factors

| | | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | | Minimum | Maximum |
|----|---------|-----|--------|----------------|------------|----------------------------------|-------------|---------|---------|
| | | | | | | Lower Bound | Upper Bound | | |
| F1 | Single | 53 | 3,0000 | 1,27867 | ,17564 | 2,6476 | 3,3524 | -1,00 | 4,86 |
| | Married | 179 | 3,3911 | 1,12591 | ,08415 | 3,2250 | 3,5571 | -1,00 | 5,00 |
| | Widow | 7 | 3,1633 | ,80571 | ,30453 | 2,4181 | 3,9084 | 1,71 | 4,00 |
| | Total | 239 | 3,2977 | 1,16125 | ,07512 | 3,1497 | 3,4456 | -1,00 | 5,00 |
| F2 | Single | 53 | 3,2956 | 1,27795 | ,17554 | 2,9433 | 3,6478 | -1,00 | 5,00 |
| | Married | 179 | 3,5959 | 1,08860 | ,08137 | 3,4353 | 3,7565 | -1,00 | 5,00 |
| | Widow | 7 | 3,6190 | ,79182 | ,29928 | 2,8867 | 4,3514 | 2,17 | 4,67 |
| | Total | 239 | 3,5300 | 1,12901 | ,07303 | 3,3861 | 3,6739 | -1,00 | 5,00 |
| F3 | Single | 53 | 2,9434 | 1,44751 | ,19883 | 2,5444 | 3,3424 | -1,00 | 5,00 |
| | Married | 179 | 3,4036 | 1,24753 | ,09324 | 3,2196 | 3,5876 | -1,00 | 5,00 |
| | Widow | 7 | 3,5000 | 1,42156 | ,53730 | 2,1853 | 4,8147 | ,50 | 5,00 |
| | Total | 239 | 3,3044 | 1,30777 | ,08459 | 3,1377 | 3,4710 | -1,00 | 5,00 |

Test of Homogeneity of Variances

| | Levene Statistic | df1 | df2 | Sig. |
|----|------------------|-----|-----|------|
| F1 | ,795 | 2 | 236 | ,453 |
| F2 | 1,854 | 2 | 236 | ,159 |
| F3 | 1,543 | 2 | 236 | ,216 |

| | | Sum of Squares | df | Mean Square | F | Sig. |
|----|----------------|----------------|-----|-------------|-------|------|
| F1 | Between Groups | 6,384 | 2 | 3,192 | 2,395 | ,093 |
| | Within Groups | 314,562 | 236 | 1,333 | | |
| | Total | 320,945 | 238 | | | |
| F2 | Between Groups | 3,745 | 2 | 1,873 | 1,475 | ,231 |
| | Within Groups | 299,623 | 236 | 1,270 | | |
| | Total | 303,368 | 238 | | | |
| F3 | Between Groups | 8,938 | 2 | 4,469 | 2,649 | ,073 |
| | Within Groups | 398,105 | 236 | 1,687 | | |
| | Total | 407,043 | 238 | | | |

Appendix 5: One-Way ANOVA test between Education and Ethical Factors

| | | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | | Minimum | Maximum |
|-----|------------------------------|-----|--------|----------------|------------|----------------------------------|-------------|---------|---------|
| | | | | | | Lower Bound | Upper Bound | | |
| F 1 | Primary school | 14 | 3,7959 | 1,65057 | ,44113 | 2,8429 | 4,7489 | -,29 | 5,00 |
| | Secondary school | 17 | 2,4538 | 1,34604 | ,32646 | 1,7617 | 3,1459 | -1,00 | 4,86 |
| | High school | 112 | 3,4349 | ,97917 | ,09252 | 3,2516 | 3,6183 | ,00 | 5,00 |
| | University and Master degree | 95 | 3,2150 | 1,18389 | ,12146 | 2,9739 | 3,4562 | -1,00 | 5,00 |
| | Doctorate | 1 | 3,1429 | . | . | . | . | 3,14 | 3,14 |
| | Total | 239 | 3,2977 | 1,16125 | ,07512 | 3,1497 | 3,4456 | -1,00 | 5,00 |
| F 2 | Primary school | 14 | 4,1071 | 1,14094 | ,30493 | 3,4484 | 4,7659 | 1,33 | 5,00 |
| | Secondary school | 17 | 2,7941 | 1,37377 | ,33319 | 2,0878 | 3,5004 | -1,00 | 4,83 |
| | High school | 112 | 3,6012 | ,99054 | ,09360 | 3,4157 | 3,7867 | ,00 | 5,00 |
| | University and Master degree | 95 | 3,4982 | 1,18738 | ,12182 | 3,2564 | 3,7401 | -1,00 | 5,00 |
| | Doctorate | 1 | 3,0000 | . | . | . | . | 3,00 | 3,00 |
| | Total | 239 | 3,5300 | 1,12901 | ,07303 | 3,3861 | 3,6739 | -1,00 | 5,00 |
| F 3 | Primary school | 14 | 3,6786 | 1,72768 | ,46174 | 2,6810 | 4,6761 | -,25 | 5,00 |
| | Secondary school | 17 | 2,6471 | 1,51827 | ,36823 | 1,8664 | 3,4277 | -1,00 | 5,00 |
| | High school | 112 | 3,4576 | 1,22101 | ,11537 | 3,2290 | 3,6862 | -1,00 | 5,00 |
| | University and Master degree | 95 | 3,1895 | 1,27408 | ,13072 | 2,9299 | 3,4490 | -1,00 | 5,00 |
| | Doctorate | 1 | 3,0000 | . | . | . | . | 3,00 | 3,00 |
| | Total | 239 | 3,3044 | 1,30777 | ,08459 | 3,1377 | 3,4710 | -1,00 | 5,00 |

Test of Homogeneity of Variances

| | Levene Statistic | df1 | df2 | Sig. |
|----|------------------|-----|-----|------|
| F1 | 3,467(a) | 3 | 234 | ,017 |
| F2 | 1,255(b) | 3 | 234 | ,291 |
| F3 | 1,079(c) | 3 | 234 | ,359 |

a Groups with only one case are ignored in computing the test of homogeneity of variance for F1.

b Groups with only one case are ignored in computing the test of homogeneity of variance for F2.

c Groups with only one case are ignored in computing the test of homogeneity of variance for F3.

| | | Sum of Squares | df | Mean Square | F | Sig. |
|----|----------------|----------------|-----|-------------|-------|------|
| F1 | Between Groups | 18,365 | 4 | 4,591 | 3,551 | ,008 |
| | Within Groups | 302,580 | 234 | 1,293 | | |
| | Total | 320,945 | 238 | | | |
| F2 | Between Groups | 14,814 | 4 | 3,703 | 3,003 | ,019 |
| | Within Groups | 288,555 | 234 | 1,233 | | |
| | Total | 303,368 | 238 | | | |
| F3 | Between Groups | 13,281 | 4 | 3,320 | 1,973 | ,099 |
| | Within Groups | 393,761 | 234 | 1,683 | | |
| | Total | 407,043 | 238 | | | |

Appendix 6: One-Way ANOVA test between the Sector of SMEs and Ethical Factors

| | | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | | Minimum | Maximum |
|----|--------------------------------|----------------|--------|----------------|------------|----------------------------------|-------------|---------|---------|
| | | | | | | Lower Bound | Upper Bound | | |
| F1 | Agriculture | 4 | 2,1786 | ,88352 | ,44176 | ,7727 | 3,5845 | 1,00 | 2,86 |
| | Industry | 14 | 3,1429 | 1,39521 | ,37289 | 2,3373 | 3,9484 | ,71 | 5,00 |
| | Construction | 18 | 3,3254 | 1,02876 | ,24248 | 2,8138 | 3,8370 | 1,29 | 5,00 |
| | Trade-Tourism | 79 | 3,4937 | 1,20434 | ,13550 | 3,2239 | 3,7634 | -1,00 | 5,00 |
| | Transport-Communication | 4 | 2,9643 | ,44224 | ,22112 | 2,2606 | 3,6680 | 2,57 | 3,57 |
| | Financial institutions | 3 | 3,5714 | ,51508 | ,29738 | 2,2919 | 4,8510 | 3,14 | 4,14 |
| | Business and Personal Services | 117 | 3,2222 | 1,14216 | ,10559 | 3,0131 | 3,4314 | -1,00 | 5,00 |
| | Total | 239 | 3,2977 | 1,16125 | ,07512 | 3,1497 | 3,4456 | -1,00 | 5,00 |
| F2 | Agriculture | 4 | 2,2917 | 1,34973 | ,67486 | ,1440 | 4,4394 | 1,00 | 3,83 |
| | Industry | 14 | 3,1310 | 1,53753 | ,41092 | 2,2432 | 4,0187 | ,00 | 5,00 |
| | Construction | 18 | 3,7870 | ,69264 | ,16326 | 3,4426 | 4,1315 | 2,33 | 5,00 |
| | Trade-Tourism | 79 | 3,6793 | 1,12241 | ,12628 | 3,4279 | 3,9307 | -1,00 | 5,00 |
| | Transport-Communication | 4 | 2,9583 | 1,16567 | ,58284 | 1,1035 | 4,8132 | 1,50 | 4,33 |
| | Financial institutions | 3 | 3,6111 | ,09623 | ,05556 | 3,3721 | 3,8501 | 3,50 | 3,67 |
| | Business and Personal Services | 117 | 3,4972 | 1,11374 | ,10297 | 3,2932 | 3,7011 | -1,00 | 5,00 |
| | Total | 239 | 3,5300 | 1,12901 | ,07303 | 3,3861 | 3,6739 | -1,00 | 5,00 |
| F3 | Agriculture | 4 | 2,0625 | 1,00778 | ,50389 | ,4589 | 3,6661 | 1,00 | 3,25 |
| | Industry | 14 | 3,5357 | 1,11742 | ,29864 | 2,8905 | 4,1809 | 1,50 | 5,00 |
| | Construction | 18 | 3,6528 | 1,11520 | ,26285 | 3,0982 | 4,2074 | 1,00 | 5,00 |
| | Trade-Tourism | 79 | 3,2658 | 1,41497 | ,15920 | 2,9489 | 3,5828 | -1,00 | 5,00 |
| | Transport-Communication | 4 | 3,3125 | ,62500 | ,31250 | 2,3180 | 4,3070 | 2,50 | 4,00 |
| | Financial institutions | 3 | 3,2500 | ,25000 | ,14434 | 2,6290 | 3,8710 | 3,00 | 3,50 |
| | Business and Personal Services | 117 | 3,2927 | 1,31277 | ,12137 | 3,0524 | 3,5331 | -1,00 | 5,00 |
| | Total | 239 | 3,3044 | 1,30777 | ,08459 | 3,1377 | 3,4710 | -1,00 | 5,00 |
| | Levene Statistic | df1 | df2 | Sig. | | | | | |
| F1 | ,928 | 6 | 232 | ,475 | | | | | |
| F2 | 1,462 | 6 | 232 | ,192 | | | | | |
| F3 | 1,013 | 6 | 232 | ,417 | | | | | |
| | | Sum of Squares | df | Mean Square | F | Sig. | | | |
| F1 | Between Groups | 9,729 | 6 | 1,622 | 1,209 | ,302 | | | |
| | Within Groups | 311,216 | 232 | 1,341 | | | | | |
| | Total | 320,945 | 238 | | | | | | |
| F2 | Between Groups | 12,767 | 6 | 2,128 | 1,699 | ,122 | | | |
| | Within Groups | 290,601 | 232 | 1,253 | | | | | |
| | Total | 303,368 | 238 | | | | | | |
| F3 | Between Groups | 9,246 | 6 | 1,541 | ,899 | ,497 | | | |
| | Within Groups | 397,797 | 232 | 1,715 | | | | | |
| | Total | 407,043 | 238 | | | | | | |

Appendix 7: One-Way ANOVA test between the type of bank with which SMEs usually work and Ethical Factors

Descriptives

| | | N | Mean | Std. Deviation | Std. Error | 95% Confidence Interval for Mean | | Minimum | Maximum |
|----|----------------------|-----|--------|----------------|------------|----------------------------------|-------------|---------|---------|
| | | | | | | Lower Bound | Upper Bound | | |
| F1 | Turkish branch banks | 44 | 2,9740 | 1,36929 | ,20643 | 2,5577 | 3,3903 | -1,00 | 5,00 |
| | Local banks | 182 | 3,3721 | 1,10338 | ,08179 | 3,2107 | 3,5334 | -,43 | 5,00 |
| | HSBC | 13 | 3,3516 | 1,09205 | ,30288 | 2,6917 | 4,0116 | ,86 | 5,00 |
| | Total | 239 | 3,2977 | 1,16125 | ,07512 | 3,1497 | 3,4456 | -1,00 | 5,00 |
| F2 | Turkish branch banks | 44 | 3,3523 | 1,44682 | ,21812 | 2,9124 | 3,7921 | -1,00 | 5,00 |
| | Local banks | 182 | 3,6090 | 1,00300 | ,07435 | 3,4623 | 3,7557 | -,33 | 5,00 |
| | HSBC | 13 | 3,0256 | 1,45590 | ,40380 | 2,1458 | 3,9054 | ,00 | 4,67 |
| | Total | 239 | 3,5300 | 1,12901 | ,07303 | 3,3861 | 3,6739 | -1,00 | 5,00 |
| F3 | Turkish branch banks | 44 | 2,8920 | 1,47005 | ,22162 | 2,4451 | 3,3390 | -1,00 | 5,00 |
| | Local banks | 182 | 3,3846 | 1,27194 | ,09428 | 3,1986 | 3,5706 | -1,00 | 5,00 |
| | HSBC | 13 | 3,5769 | ,98628 | ,27355 | 2,9809 | 4,1729 | 2,00 | 5,00 |
| | Total | 239 | 3,3044 | 1,30777 | ,08459 | 3,1377 | 3,4710 | -1,00 | 5,00 |

Test of Homogeneity of Variances

| | Levene Statistic | df1 | df2 | Sig. |
|----|------------------|-----|-----|------|
| F1 | ,537 | 2 | 236 | ,585 |
| F2 | 3,081 | 2 | 236 | ,048 |
| F3 | ,823 | 2 | 236 | ,440 |

| | | Sum of Squares | df | Mean Square | F | Sig. |
|----|----------------|----------------|-----|-------------|-------|------|
| F1 | Between Groups | 5,654 | 2 | 2,827 | 2,116 | ,123 |
| | Within Groups | 315,292 | 236 | 1,336 | | |
| | Total | 320,945 | 238 | | | |
| F2 | Between Groups | 5,832 | 2 | 2,916 | 2,313 | ,101 |
| | Within Groups | 297,537 | 236 | 1,261 | | |
| | Total | 303,368 | 238 | | | |
| F3 | Between Groups | 9,618 | 2 | 4,809 | 2,856 | ,060 |
| | Within Groups | 397,425 | 236 | 1,684 | | |
| | Total | 407,043 | 238 | | | |