

Ethical Behavior in Machhapuchchhre Bank

A Seminar Paper

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Bachelors of Business Administration (BBA)

3rd Semester

Exam roll no: 37646/23

T.U. Registration no: 7-2-1235-55-2023

MGT: Organizational Behavior and Leadership

Submitted to

Faculty of Management

Sainik Awasiya Mahavidyalaya

Tribhuvan University

April, 2025

Pokhara

DECLARATION

I hereby declare that the seminar paper entitled "**Ethical Behavior in Machhapuchchhre Bank**" has been prepared as a part of the academic requirement for the Bachelor of Business Administration (BBA) program. This study is the result of my original work and effort, and it has not been submitted previously, either in whole or in part, to any other institution or university for any academic degree or qualification.

All information, data, and sources used in the preparation of this paper have been properly acknowledged and referenced. The analysis, interpretations, and conclusions presented in the report are based on the findings from the study conducted under the guidance of my supervisor.

ACKNOWLEDGEMENT

I would like to express my sincere gratitude to everyone who supported and encouraged me throughout the preparation of this seminar paper. The completion of this work would not have been possible without the guidance, cooperation, and motivation I received during the process.

I am especially thankful to my teacher **Mrs. Susma Gautam** for her valuable guidance, encouragement, and support throughout the preparation of this paper. Her insightful suggestions and continuous motivation played a vital role in shaping the direction and quality of this work.

This paper is the outcome of continuous learning, effort, and dedication, and I am grateful for the opportunity to explore and understand the topic in depth. The journey of preparing this paper has been a valuable academic experience, helping me to grow both personally and professionally.

ABSTRACT

This seminar paper explores the ethical behavior within Machhapuchchhre Bank, a prominent commercial bank in Nepal, focusing on how the bank upholds ethical standards in its operations and stakeholder relationships. Through a comprehensive review of literature, empirical studies, and comparative analysis, the paper examines key dimensions such as enforcement of ethical codes, transparency in customer dealings, employee ethics training, and customer grievance handling. Findings suggest that while Machhapuchchhre Bank has taken steps to institutionalize ethical practices, significant gaps remain in terms of implementation and consistency compared to banks like Nabil and Himalayan Bank. The study concludes by recommending stronger enforcement mechanisms, enhanced employee training, and improved customer service protocols to foster a more ethically robust banking environment.

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1. INTRODUCTION

1.1 Background of the Paper

Ethical behavior in the banking sector has become a focal point of both academic interest and practical significance over the last two decades (Gautam, 2021). In the aftermath of global financial scandals and crises, the question of ethics in financial institutions has gained urgency, not merely as a regulatory compliance issue but as a cornerstone of trust, transparency, and long-term sustainability (Acharya & Richardson, 2009). Ethical behavior in banking encompasses principles such as honesty, fairness, accountability, and respect for stakeholders, including customers, employees, shareholders, and the broader community (Freeman, 1984; Carroll, 1991). It governs how banks deal with confidential information, allocate credit, treat employees, and respond to societal expectations (Neupane, 2020). Globally, the 2008 financial crisis exposed the catastrophic consequences of unethical behavior in banks—ranging from misleading mortgage lending practices to the manipulation of financial markets (Acharya & Richardson, 2009). These events undermined public confidence in financial institutions and led to massive regulatory reforms across the United States, Europe, and Asia. In response, central banks, financial authorities, and banking associations began emphasizing ethical conduct, internal controls, and corporate governance.

In the South Asian context, particularly in Nepal, the banking sector has witnessed exponential growth in the last two decades (Joshi & Regmi, 2018; Regmi & Thapa, 2021). With the economic liberalization of the 1990s and early 2000s, Nepal's financial sector expanded to include over 20 commercial banks, along with numerous development banks, finance companies, and microfinance institutions. The banking sector became a backbone for remittance inflows, small and medium enterprise (SME) financing, digital financial inclusion, and national infrastructure development. However, this growth was accompanied by new ethical challenges, including conflict of interest, customer exploitation, digital fraud, employee favoritism, and opaque loan approvals (Shrestha, 2019; Koirala, 2022).

The ethical dimension of banking, though acknowledged in principle, often remains inadequately implemented in practice. Machhapuchchhre Bank Limited (MBL), established in 1998, emerged as a trailblazer by being among the first regional commercial banks in western Nepal. Over the years, MBL has expanded its operations significantly and now offers full-scale banking services

throughout the country. Its reputation has been built on digital innovation, rural inclusion, SME lending, and customer engagement. However, as the bank grew, so did the complexity of its ethical obligations. Like many other institutions, MBL has faced criticisms over issues such as non-transparent service charges, weak internal communication, ineffective handling of customer grievances, and questionable promotional practices (MBL Annual Report, 2023). Furthermore, in a society transitioning from traditional informal banking to modern digital banking, the ethical compass of institutions like MBL is critical. A bank's behavior sets the tone for financial culture, shapes consumer confidence, and influences how the unbanked population approaches formal financial services. Ethical lapses can result in regulatory penalties from the Nepal Rastra Bank, damage to the bank's brand, loss of public trust, and demotivation among staff (Mill, 2017).

This paper aims to critically assess how Machhapuchchhre Bank navigates the ethical dimensions of banking in Nepal. By evaluating its internal ethics policies, comparing its practices with competitors, and analyzing stakeholder perceptions, the paper seeks to contribute to a deeper understanding of how ethical banking can be promoted in developing economies. The findings not only hold value for academia but also offer actionable insights for practitioners, policymakers, and regulators striving to build a trustworthy and sustainable financial system in Nepal (Neupane, 2020).

1.2 Statement of the Problem

To what extent does Machhapuchchhre Bank demonstrate ethical behavior in its operations, and what are the key areas that require ethical improvement?

1.3 Objective of the Paper

The main objective of the paper is:

- To assess the ethical behavior in Machhapuchchhre Bank and identify areas for improvement in its ethical practices.

1.4 Methods

This study uses a qualitative approach to explore ethical issues in the banking sector, with a focus on Machhapuchchhre Bank. It combines descriptive and analytical methods to understand what ethical practices the bank follows and how effective they are. Instead of collecting new data, the study relies on trusted secondary sources like journals, research papers, bank reports, and official

documents. It looks at policies and codes of conduct, compares Machhapuchchhre Bank with other banks like Nabil, NIC Asia, and Himalayan Bank, and uses past survey results and customer feedback. Content and comparative analysis help identify key ethical themes and evaluate how the bank measures up to standards set by regulators like Nepal Rastra Bank.

The conceptual framework of the study illustrates the relationship between various ethical dimensions (independent variables) and organizational outcomes (dependent variables). Independent Variable includes Corporate governance, Transparency in operation, Employee behavior and integrity, Customer service ethics and Regulatory compliance whereas Dependent Variable includes Customer trust, Public reputation, Legal and regulatory adherence and Long-term business sustainability.

2. DESCRIPTION AND ANALYSIS

2.1 Theoretical/Conceptual Review

Ethical behavior in banking has been extensively examined through a variety of theoretical lenses. These theories help establish a strong conceptual foundation for understanding how financial institutions define, manage, and enforce ethical standards. This section explores key academic theories and frameworks that have informed the discourse on banking ethics, and links them to the case of Machhapuchchhre Bank.

The Stakeholder Theory, introduced by Freeman, remains a key framework in business ethics as it broadens the traditional view of a business's responsibility. Instead of focusing solely on maximizing profits for shareholders, this theory stresses the importance of considering a wider group of stakeholders—customers, employees, government regulators, and the local community—when making decisions (Freeman, 1984). In banking, this means institutions are expected to create long-term value and act ethically toward everyone involved. Machhapuchchhre Bank, through its customer-centered policies and community banking services, has made visible efforts to follow stakeholder-focused objectives. However, there are still gaps in execution, especially when it comes to handling customer complaints transparently and addressing employee welfare in a consistent way.

Deontological Ethical Theory, associated with Kant's philosophy, takes a rule-based approach to ethics. It emphasizes that actions should be guided by a sense of duty, regardless of the outcomes (Kant, 1785). In banking, this translates into strict adherence to laws, professional duties, and ethical codes. Banks like Machhapuchchhre are expected to comply with ethical rules and regulatory frameworks provided by bodies like Nepal Rastra Bank. However, periodic reports of regulatory non-compliance and penalties suggest that some rules may not always be fully followed. This could be due to a lack of employee awareness, ineffective enforcement, or internal weaknesses in ethical oversight (Nepal Rastra Bank, 2023).

On the other hand, Utilitarian Ethical Theory, led by thinkers like Bentham and Mill, suggests that ethical decisions are those that create the greatest good for the greatest number (Bentham, 1789; Mill, 1863). In banking, this theory is often reflected when banks offer services that benefit wider communities—like rural banking, lower interest loans for vulnerable sectors, or investments in digital financial inclusion. Machhapuchchhre Bank's initiatives in expanding rural access and promoting SME financing reflect this utilitarian logic. However, utilitarianism can be compromised if such actions also

involve hidden fees, misleading financial products, or an imbalance between bank profits and customer welfare.

Corporate Governance Theory also plays a vital role in shaping ethical behavior in banks. As Tricker notes, corporate governance is about ensuring fairness, accountability, and transparency in an organization's relationship with its stakeholders (Tricker, 2015). In Nepal, commercial banks are required to comply with governance standards set by the Nepal Rastra Bank, including disclosure norms, ethical audits, and oversight mechanisms. Machhapuchchhre Bank has adopted some key governance practices—such as publishing annual reports, forming audit committees, and maintaining board accountability—but questions still remain about whether these structures are effectively preventing unethical behavior, favoritism, or internal manipulation.

Agency Theory, formulated by Jensen and Meckling, brings attention to the ethical risks that arise from the principal-agent relationship—when managers (agents) act in their own interest rather than in the best interest of owners or shareholders (Jensen & Meckling, 1976). In banks, this theory is relevant when incentive systems and performance targets push employees or managers to meet short-term goals, sometimes at the cost of ethical integrity. Issues such as aggressive loan selling, cross-selling without consent, or manipulating reports can stem from these agency problems. In the case of Machhapuchchhre Bank, evaluating the internal control environment and leadership conduct becomes important to understand whether such risks are being managed properly.

Virtue Ethics, a theory going back to Aristotle, shifts the focus from rules and outcomes to the character of individuals and organizations. It promotes moral traits like honesty, responsibility, and integrity as the foundation of ethical behavior (Aristotle, 350 B.C.E.). In the banking context, this theory suggests that ethical culture should be deeply embedded in daily operations—shaped by leadership, training programs, reward systems, and tone from the top. For Machhapuchchhre Bank, cultivating such a culture is critical to maintaining both public trust and a positive internal work environment. While the bank may have formal codes in place, their impact largely depends on how leadership models and reinforces ethical behavior.

In addition to these classical theories, modern contributions have further shaped the understanding of ethics in banking. Dusuki and Abdullah have proposed an integrated ethical banking model that combines legal, ethical, economic, and philanthropic responsibilities (Dusuki & Abdullah, 2007). Similarly, Boatright emphasized the close link between ethical risks and financial risks in banking,

arguing that poor ethical decisions often lead to significant reputational and operational consequences (Boatright, 2011). These modern perspectives align well with the idea that ethics in banking must be embedded not only in compliance structures but also in decision-making, institutional values, and leadership behavior.

Taken together, these ethical theories provide a strong conceptual foundation for evaluating the behavior of banks like Machhapuchchhre. They help explain not only what ethical banking should look like in theory but also what benchmarks can be used to evaluate actual practices. By applying these frameworks, this study creates a basis for assessing how well Machhapuchchhre Bank aligns with ethical standards and where the gaps remain. The next section uses these theories to interpret empirical findings and highlight the bank's strengths and weaknesses in real-world ethical performance.

2.2 Empirical Review

Empirical studies play a crucial role in connecting ethical theories with real-world banking practices. They provide concrete evidence on how banks behave in practice—offering insights into customer perceptions, institutional conduct, regulatory compliance, and corporate governance. In the context of Nepal, several recent studies shed light on ethical issues in commercial banks, including Machhapuchchhre Bank. These studies highlight not only the presence of ethical policies but also the challenges in their practical implementation.

A study by Adhikari revealed that while most banks had established ethical guidelines and corporate governance policies, their execution was inconsistent. Ethical training programs were rare, and internal reporting channels for unethical conduct were often either inactive or missing. Machhapuchchhre Bank was found to perform moderately, particularly in transparency and customer engagement, though gaps remained in staff training and ethical monitoring systems (Adhikari, 2022).

Joshi and Regmi conducted a survey of 400 banking clients in Kathmandu and found that customers value transparent communication, fairness in loan decisions, and respectful service. Machhapuchchhre Bank scored well in digital services and SME loan access, but customers raised concerns over hidden charges and delays in resolving grievances. The researchers emphasized the

need for better ethical communication and a more customer-focused approach (Joshi & Regmi, 2021).

Leadership also emerged as a significant factor in shaping ethical behavior. A study by Gautam and Thapa showed a strong correlation between ethical leadership, employee satisfaction, and workplace ethics. At Machhapuchchhre Bank, employees appreciated the ethical culture at branch levels but pointed out the lack of visible ethical leadership from top management (Gautam & Thapa, 2020).

In a comparative study, Shrestha evaluated both public and private banks in Nepal on customer service, transparency, and internal control. Private banks like Machhapuchchhre often engage more effectively with customers but may prioritize profit over ethics. The bank was recognized for its rural outreach but criticized for inconsistent fee policies and limited ethical disclosures (Shrestha, 2019).

Khanal analyzed adherence to the Nepal Rastra Bank's ethical guidelines in 15 commercial banks. Large institutions such as Nabil and Standard Chartered had high compliance levels, while medium-sized banks like Machhapuchchhre lacked proper documentation of ethical audits and standardized monitoring units. These gaps pose risks for regulatory non-compliance and public trust (Khanal, 2023).

Organizational culture was explored by Banskota, who found that banks with strong internal values and regular ethics training experienced fewer violations. Machhapuchchhre Bank was recognized for strong community ties, especially in rural areas, but faced challenges maintaining consistent ethical practices in urban branches (Banskota, 2021).

Lastly, Sharma and Devkota assessed ethical risks using financial indicators and employee feedback. They found that aggressive marketing, sales pressure, and short-term profit goals often lead to ethical compromises. They recommended implementing ethical risk registers and ethics-based KPIs in banks like Machhapuchchhre (Sharma & Devkota, 2020).

Nepalese Context

Nepal's banking sector is expanding rapidly, driven by digital transformation and financial inclusion. However, this growth also brings ethical challenges, such as hidden fees, weak

complaint systems, and employee pressure. Data from Nepal Rastra Bank shows that 65% of customer complaints involve unclear service charges, and 40% cite poor grievance handling (Nepal Rastra Bank, 2023). These issues are not isolated and reflect broader industry shortcomings. Machhapuchchhre Bank, while progressive in outreach and digital services, must improve how ethical codes are implemented and monitored across its operations.

International Context

Globally, ethics in banking has become a top priority, especially after financial scandals and crises. Banks in regions like the EU and the US follow strict frameworks, such as Basel III, the Dodd-Frank Act, and CSR regulations. These promote transparency, internal control, and accountability. In comparison, Nepalese banks—including Machhapuchchhre—are still developing robust internal systems. While Nepal Rastra Bank has provided ethical guidelines, enforcement and monitoring remain weak. Learning from global models such as third-party ethics audits, whistleblower protections, and ethics committees could significantly improve standards in Nepal's banking industry.

These empirical studies clearly show that having ethical policies is not enough; proper implementation is essential. Although Machhapuchchhre Bank has made progress in outreach and digital banking, it still faces challenges related to hidden charges, inconsistent leadership, and limited internal monitoring. Compared to institutions like Nabil Bank with stricter governance, Machhapuchchhre has significant room for improvement. Strengthening transparency, internal ethics systems, and customer trust are crucial steps forward. Ethics should not be treated as a box-ticking exercise but must be integrated into the bank's daily operations and strategic decisions.

2.3 Analysis and Discussion

Table 1:

Ethical Practices and Perceptions in Selected Commercial Banks of Nepal

Bank Name	% of Customers Reporting Ethical Satisfaction	% of Employees Receiving Ethical Training	Common Ethical Issues Reported	Reference
Machhapuchchhre Bank	68%	42%	Hidden charge, loan delay	Neupane, 2023
Nabil Bank	78%	65%	Aggressive sales tactics	Gautam, 2019
NIC Asia Bank	64%	40%	Poor service transparency	Koirala, 2020
Global IME Bank	72%	55%	Target Pressure on employees	Regmi, 2018
Nepal Investment Bank	80%	70%	Ethical conflict in Marketing	Bista, 2021

Source: Compiled from various studies on Nepalese banks' ethical practices (Neupane, 2023; Gautam, 2019; Koirala, 2020; Regmi, 2018; Bista, 2021).

This table reinforces the earlier analysis that ethical training and leadership significantly impact how banks are perceived by customers. Machhapuchchhre Bank, with only 42% of its employees receiving ethical training and 68% of customers satisfied ethically, reflects a need for institutional investment in training and ethical culture building. The presence of hidden charges and delays

further indicates weak internal monitoring and poor customer communication systems. Ethical leadership plays a vital role in shaping employee behavior and institutional norms. If the leadership of Machhapuchchhre Bank demonstrates integrity, fairness, and transparency, these values are likely to be adopted by the entire workforce. Therefore, leadership development should include training on ethical decision-making and stakeholder management.

Another key issue is the pressure of achieving performance targets, which may lead employees to prioritize results over ethics. While goal-setting is necessary, Machhapuchchhre Bank must ensure that its reward systems do not encourage unethical practices. Monitoring performance against both quantitative targets and ethical conduct is essential. In terms of governance, stronger internal control systems, whistleblower protections, and independent ethics committees can help monitor ethical breaches and respond effectively. If these mechanisms are implemented, the bank can better align its operations with ethical principles and reduce misconduct. The analysis indicates that Machhapuchchhre Bank has a strong foundation and regulatory structure, but the effectiveness of ethical practices depends heavily on consistent implementation, ethical leadership, employee engagement, and customer feedback mechanisms.

Ethical behavior in the banking sector plays a pivotal role in ensuring transparency, fostering trust, and sustaining long-term institutional credibility. A detailed examination of Machhapuchchhre Bank's ethical behavior, complemented by empirical data, reveals the existing strengths and gaps in its ethical infrastructure, especially when viewed in comparison to other commercial banks in Nepal.

To contextualize the discussion, the following table outlines how Machhapuchchhre Bank and other comparable commercial banks perform across key ethical dimensions:

Table 2:

Machhapuchchhre Bank and Other Banks Performing across Key Ethical Dimensions

Ethical Dimension	Machhapuchchhre Bank	Nabil Bank	NIC Asia Bank	Himalayan Bank
Code of Ethics Enforcement	Moderate	Strong	Strong	Moderate
Transparency in Charges	Moderate	High	Low	High
Employees Ethics Training	Limited	Extensive	Moderate	High
Customer Grievance Handling	Weak	Strong	Moderate	Strong
Compliance with NRB Guidelines	Moderate	Strong	Moderate	Strong
Ethical Leadership	Branch-Level Presence	Top-Down	Inconsistent	Centralized
Whistleblower Mechanism	Absent	Present	Present	Absent
Ethical Audit Frequency	Annual (Internal Only)	Quarterly	Semi-Annual	Annual
Financial Literacy Initiatives	Moderate	Strong	Limited	Moderate

Source: Compiled by the author based on data from Neupane (2023), Gautam (2019), Koirala (2020), Regmi (2018), Bista (2021), and NRB reports.

The empirical data from the table highlights several critical insights into the ethical behavior of Machhapuchchhre Bank. In terms of the enforcement of ethical policies, the bank shows a moderate level of performance, suggesting that although policies are present, their consistent application across branches is lacking. Compared to other banks like Nabil Bank, where ethical enforcement is strong, Machhapuchchhre Bank's mechanisms appear relatively weaker. Similarly, regarding transparency in charges, Machhapuchchhre Bank again falls under a moderate category. Customers may experience some confusion due to unclear communication of service charges and fees. Other banks have implemented better transparency practices, setting a higher ethical standard.

The analysis also indicates that employee ethics training at Machhapuchchhre Bank is limited. Unlike its peers, who provide mandatory and frequent ethics training sessions, Machhapuchchhre relies more on informal practices, leading to inconsistency. Moreover, the bank's customer grievance handling is marked as weak in the table. The existing mechanisms are not sufficiently robust, and compared to banks that have established strong customer support and feedback systems, Machhapuchchhre falls behind. Finally, the overall ethical climate of the bank is considered moderate, suggesting partial commitment to ethical banking practices. Although frameworks are in place, they are not fully embedded into the daily operations and culture of the institution.

Thus, the data reveals that Machhapuchchhre Bank must strengthen its ethical enforcement, transparency, employee training, grievance mechanisms, and cultural integration to meet the higher ethical standards evident in its competitors. The review of theoretical and empirical literature shows a clear disconnect between the ideal ethical standards expected of banks and the reality of banking practices in Nepal. Machhapuchchhre Bank, like many other institutions, operates in an environment where regulatory guidelines exist, but ethical practices often depend on the leadership's values and the organizational culture. Transparency, a key pillar of ethical banking, remains one of the most challenging aspects. Empirical evidence suggests that customers often face confusion over terms and hidden costs.

If Machhapuchchhre Bank wants to improve its ethical standards, it must enhance its communication strategies, provide clear product disclosures, and respond promptly to customer queries. The lack of formal ethical training programs has been another consistent finding across

studies. Employees at Machhapuchchhre Bank may not always have a clear understanding of what constitutes ethical behavior in different scenarios. Introducing mandatory ethical training and periodic refreshers would help build an ethical culture within the bank. The ethical practices of Machhapuchchhre Bank, when critically analyzed alongside sectoral trends and benchmarks from peer institutions, reveal several core strengths and limitations that directly influence customer satisfaction, internal culture, and regulatory compliance. One of the most central ethical pillars within banking is the enforcement of a formal Code of Ethics. Machhapuchchhre Bank has developed such a code and incorporated it into its corporate governance framework. However, enforcement across its network remains moderate. Implementation is often decentralized, relying on individual branches and managers to uphold these standards, which results in inconsistent adherence.

In contrast, banks like Nabil Bank have established ethics committees and deploy top-down monitoring systems, which ensure that ethical policies are uniformly applied. This contrast highlights a need for Machhapuchchhre Bank to strengthen its governance structure around ethics compliance. Transparency in service charges, loan conditions, and interest rates represents another vital ethical dimension. Machhapuchchhre Bank has attempted to improve this through customer notices and digital alerts; however, these efforts are often insufficient, particularly for less technologically literate customers. Clients report confusion about hidden fees and unclear charges, especially in rural branches where staff training and client communication are weaker. Machhapuchchhre Bank offers some induction and refresher courses, but these are neither frequent nor exhaustive in covering practical ethical dilemmas.

The limited scope of such training leads to varied interpretations of policies and increased chances of misconduct or poor decision-making. By contrast, peer institutions such as Nabil Bank implement systematic, organization-wide ethics training programs supported by real-life case studies and compliance simulations, fostering a more informed and ethically conscious workforce. A particularly concerning area for Machhapuchchhre Bank is its customer grievance handling mechanism. The current system lacks centralized tracking and follow-up, often resulting in unresolved complaints or delayed responses. Field reports and customer interviews indicate dissatisfaction with complaint resolution timelines and inadequate acknowledgment of grievances. Ethical banking necessitates a strong, accessible, and efficient feedback loop between the

institution and its clients. In comparison, banks like Himalayan Bank have developed structured grievance redressal frameworks that include escalation matrices, customer helplines, and real-time tracking of complaint statuses—practices that elevate customer trust and ethical accountability. Compliance with Nepal Rastra Bank (NRB) regulations is essential for maintaining baseline ethical standards. Machhapuchchhre Bank generally meets compliance requirements but has not consistently ranked among the top banks in NRB's compliance evaluations. Limited public disclosure of internal audits and ethical performance reports suggests that transparency, while improving, remains a work in progress. This is particularly relevant when compared to NIC Asia Bank, which publishes semi-annual compliance reports and has developed internal dashboards to measure and monitor regulatory adherence across departments. Leadership plays a vital role in shaping an institution's ethical environment.

At Machhapuchchhre Bank, ethical leadership varies by branch. While some managers emphasize accountability and fair conduct, others lack structured support and ethical oversight. Banks with centralized ethical leadership structures, such as Nabil Bank, are more likely to sustain consistent ethical behavior organization-wide. Currently, Machhapuchchhre Bank does not have a formal whistleblower mechanism in place. This absence discourages employees from reporting misconduct, thereby perpetuating unethical behavior at various operational levels. Other banks, including NIC Asia and Nabil, have introduced secure, anonymous whistleblower platforms supported by external monitoring, which not only promote transparency but also safeguard ethical conduct within the organization.

In addition to these institutional dimensions, the ethical frequency of audits and the promotion of financial literacy further differentiate ethical standards among banks. While Machhapuchchhre Bank performs internal audits annually, it does not disclose findings or align them with ethical benchmarks. Nabil Bank, in contrast, conducts quarterly audits and publishes summaries of its ethical performance. Similarly, financial literacy initiatives at Machhapuchchhre Bank are improving but still fall short when compared with competitors who regularly collaborate with NGOs, schools, and government programs to foster informed banking behavior among the general public.

In conclusion, while Machhapuchchhre Bank demonstrates a foundational commitment to ethical banking, the depth, consistency, and implementation of its ethical strategies remain limited. Its

performance is moderate across most dimensions and does not match the comprehensive ethical frameworks adopted by leading commercial banks in Nepal. To elevate its ethical standing, the bank must institutionalize leadership accountability, implement structured ethics training, invest in transparent customer engagement, and adopt protective measures such as whistleblower policies. These actions, grounded in empirical insights and sectoral comparisons, would not only improve ethical behavior but also enhance the bank's long-term competitiveness and public trust.

3. CONCLUSION

3.1 Conclusion

This study set out to explore how ethical behavior is practiced in the banking sector, with a specific focus on Machhapuchchhre Bank. Ethics in banking isn't just a good-to-have quality—it's essential for building trust, ensuring long-term success, and maintaining public confidence. Through this research, it became clear that while Machhapuchchhre Bank has taken some steps to follow ethical guidelines, the actual implementation of these principles varies across departments and branches. The bank has codes of conduct and basic compliance policies in place, but the consistency and seriousness with which they are applied leave room for improvement.

One of the key goals of the study was to evaluate where Machhapuchchhre Bank stands compared to other banks in Nepal. The analysis showed that while it meets basic ethical standards set by regulatory bodies like Nepal Rastra Bank, it lags behind top-performing institutions like Nabil Bank and Himalayan Bank. These banks have stronger systems in place—such as regular audits, employee training programs, and better customer communication. In contrast, Machhapuchchhre faces issues like slow grievance handling, unclear service fees, limited whistleblower support, and lack of advanced ethical monitoring.

The findings also showed that only 42% of the bank's employees had received any form of ethical training, and while 68% of customers were satisfied with ethical standards, there's still a noticeable gap between expectations and actual service. On a broader level, the study stressed that strong ethical practices are not just about rules—they're about culture. How seriously the leadership takes ethics, how aware the employees are, and how transparent the bank is with its customers all play a big role in shaping an ethical work environment.

In conclusion, Machhapuchchhre Bank is on the path toward improving its ethical standards, but there's more work to be done. The research highlights the need for consistent employee training, stronger leadership commitment, and adopting best practices from other banks that have set higher ethical benchmarks. Ethical banking is about more than just avoiding problems—it's about building trust and ensuring long-term success. This study confirms that while Machhapuchchhre Bank has laid the groundwork, achieving a truly ethical banking culture will require deeper commitment and ongoing improvements at all levels.

3.2 Remarks

Based on the findings of this study, the following remarks are made:

- To improve understanding and practice of ethical standards, Machhapuchchhre Bank should introduce mandatory ethical training for all its employees.
- It should strengthen internal monitoring and complaint resolution systems to reduce issues such as hidden charges and delays in service delivery.
- It should promote ethical leadership development, ensuring that top-level management models integrity and transparency.
- It should incorporate ethical behavior into performance appraisals, ensuring that employees are rewarded not just for results but also for ethical conduct.
- The bank should also engage customers in feedback loops to measure and improve the bank's ethical image and service transparency.
- It should also ensure regular audits to evaluate adherence to ethical guidelines and identify areas for improvement.
- Finally, the bank should foster a culture of open communication where employees feel safe reporting unethical behavior without fear of retaliation.

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