A Review of Ethical Financial Practices as A Panacea for Sustainable Organization

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Abstract
Ethical issues have been one of the major challenges bedevilling financial practices across the world. This is in the midst of existing numerous financial regulatory structures acting as overseers to ensure validation and reliability of the practice, the profession, and its end products. This paper considering this germane and profound issues attempted to study how ethical financial practices will assist in the quest for integrity in the organization. Secondary data was used for the research and these were sourced from literature, peer reviewed article, accounting financial reports, financial decided cases, newspaper/magazines, internet, etc. The paper is segmented into: Abstract, Introduction; methodology; significance of the study; review of relevant literature; identification of ethical challenges facing financial practices in organizations; findings of the study; concluding remarks. The paper recommended the stakeholder's engagement in Town Hall Meetings (THM) to ensure the continuity of financial ethical discussions, dialogue and reflection; prioritization of organizational learning, improvement, research and development; adoption and improvement of ethical policies, systems, and skills based on feedback, evaluations, and emerging challenges should be prioritized; partnership and collaboration to overcome obstacles and constraints related to the adoption of an ethical corporate finance inspired by philosophy, and the adoption and deployment of technologies and other relevant management tools.

***Key Words**: Ethics, financial Management, Organization, Stakeholders*

1. Introduction

In recent years, there has been no shortage of scandals involving fraudulent, predatory, and otherwise ethically unacceptable behavior on the part of large U.S. and non-U.S. financial institutions. Reverse redlining and targeting of racial minorities and other vulnerable segments of the population for subprime mortgages, collusive price-fixing in the world's most important interbank lending and trading markets, and fraudulent creation of client accounts by bank employees pressured to generate fees for the bank are only some of the recent examples of such blatantly unethical behavior. Much of this behavior was also directly implicated in the generation of unsustainable levels of risk in the financial system, which led to the global financial crisis of 2008-2009 (Omarova, 2017).

According to Vardi and Weitz (2003); Nelson (2015) assert that corporate misbehavior is a new phenomenon and does not happen in a vacuum, and it is not just corporate reputations that suffer as a result. These scandals cast long shadows, and they often affect entire firms and countries. In this complex and increasingly transparent world, where reputation influences everything from who wants to hire employees and organizations or engages in trade and purchase of products to debt finances, unethical behavior in business therefore becomes a very big deal indeed. Hence, the quality of financial reporting and practices can be measured in terms of its features, such as relevance, faithful representation, understandability, comparability, and timeliness of the financial reports (Beest, Braam & Boelens, 2009). Past studies have indicated that these qualities are found in financial statements when preparers of financial reports uphold high ethical standards in relation to their duties. According to Aifuwa, Embele and Saidu (2018), ethical accounting practices are governed by several ethical standards issued by accounting bodies and agencies globally and locally. Globally, the International Federation of Accountants (IFAC) set out the code of ethics for professional accountant which includes integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. These codes of ethics can be applied to both professional accountants in public practices and professional accountants in business (IFAC, 2005). In Nigeria for instance, various bodies and agencies serve as regulators for the operations of accountants and other persons in the financial sector as well as their ethical dealings and practices. Aifuwa et al (2018) identified these bodies to include - the Companies and Allied Matters Act 2004 (as amended), Financial Reporting Council (FRC), Institute of Chartered Accountant of Nigeria (ICAN), the Association of National Accountants of Nigeria (ANAN), as well as the Chartered Institute of Taxation of Nigeria (CITN). Numerous ethical issues have been listed out, ranging from conflict of interest, insider dealings, acceptance of gift, Professional behaviour (Enofe, Edemenya & Osunbor, 2015; Fatoki, 2015) despite the profession having global and local bodies regulating the code of ethics.

From the foregoing, ethics is generally concerned with the rightness or wrongness of an act. It deals with human conduct in relation to what is morally good and bad, right and wrong (Bazerman and Gino, 2012). Also, “a belief associated with the good/bad apple idea is that any individual of good character should already know right from wrong and can be ethical without special training—that a lifetime of socialization from parents and religious institutions should prepare people to be ethical at work” (Trevino and Nelson, 2021). Researchers sometimes confuse ethics with morality. Ngamen (2014) cited in Aifuwa et al (2018) draw a clear-cut distinction between ethics and morality by opining that ethics is particular or specific in nature, while morality is general in nature. Different professions (Law, Medicine, Engineering, Architecture, etc.) have their respective code of ethics, which are particular to the profession. Generally, according to worlds’ practice, if an individual commits an offence or crime, for example, in a case of murder, it is generally known that the accused will be prosecuted and if found guilty, will be made to face the full wrath of the law.

In another development, London Premier Centre (2023) sees the complexity and sensitive nature of the ethics of financial management subject for anyone to tackle because it engulfs controversial issues like "What is ethical? What parameters identify an organisation’s integrity?

What kind of principles and standards should a business work by?" and more.

Not surprisingly therefore, Omarova (2017) says, industry regulators and scholars of financial markets have been increasingly vocal in their criticisms of the financial industry's systematic failure to maintain high ethical standards of business conduct. Much of the regulators and academics' attention in this area is focused on individual financial institutions' apparent inability to foster a strong internal culture of pursuing market objectives through ethical and socially responsible means. Accordingly, the potential remedy for this problem is often seen as a matter of improving the firms' culture of risk-taking, so that they develop a genuine commitment to seek private gains without creating systemically destabilizing risks or otherwise endangering the well-being of their clients, creditors, and the rest of the society. In effect, this recent "ethics turn" in financial regulation recasts firms' "risk culture" as a crucial determinant of success, or failure, of the postcrisis search for systemic financial stability (Omarova, 2017).

This paper is objectively targeted at considering the profundity of the ethics of financial management and how the recommendations of the study will resonate financial operational trust and integrity for the thriving of both public and private organizations globally.

2. Significance of the Study

The significance of this study dwells in many perspectives. In amidst of disappearance of organizational reputation and goodwill, it is important for firms to a embark on analysis that when it behaves ethically, it gains the trust of its stakeholders and customers. In a similar context, when a business acts ethically, it will be able to receive more business from existing clients or attract new ones who are looking for ethical companies to work with.

This study also helps in the encouragement of business development and profit maximization. For example, London Premier Centre (2023) maintained that this can help with public growth and profitability because people in various markets are more likely to recommend a company, they trust to have good relationships with, leading to increased sales and market share.

Standardization of organizational effective and efficient finances. Ethics is essential in the financial management process is that it helps organisations avoid costly lawsuits that could impact their profitability or even put them out of business altogether.

3. Methodology

This paper adopts a mixture of descriptive and analytical research designs. As enunciated by Burns and Grove (2009) and Oni, Oni, Ibietan, and Deinde-Adedeji (2020)., descriptive research design provides vivid depiction of a situation as it naturally happens and enables researchers to make judgment on current practice. With descriptive design therefore, one is able to report, describe, summarize and validate the nature, activities and situation of how ethical financial practices can be panacea for realizing the sustainable development goals. On the other hand, Oni, et al (2020) argued that the analytical design enables the researcher to critically evaluate facts and information regarding the subject of the research. A Systematic review approach was used for selection and review of relevant literature. This is method of study has been used in related previous studies such as Udoh et al. (2020) and Amoo et al. (2019). This method was adopted because the goal is to synthesize available evidence in the literature on the adoption of ethical financial practices in business transaction.

In addition, essential literature on the subject of discuss were systematically selected and reviewed in order to identify publications that are relevant and current to ethical financial practices and governance of the Sustainable Development Goals (SDGs). In doing this, only publications from reputable peer reviewed journals, government agencies and international organizations that relate to ethical financial practices and the realization of Sustainable development Goals governance were considered in the study. Multiple online databases of World Bank, UNDP, NCC and some reputable journals including Sage, Scopus, EBSCO, Jstor and Web-of-Science were employed in a systematic search for keywords considered relevant to the subject of investigation. Data gathered from the various publications were evaluated and compared to make replicable, valid and current description and inferences in a logical sequence.

4. Review of Relevant Studies

Corruption and unethical practices in financial organization's is a global issue, but it varies in intensity, sophistication and forms from country to country. Ibietan (2013) study found that the deduction or inference from extant literature, public commentaries, analyses, media (print and broadcast) including social networks seem to suggest that corruption is the largest industry with many practitioners globally.

However, an ethical practice is a comprehensive approach that a corporation takes to meet or exceed stakeholder expectations beyond measures of revenue, profit, and legal obligations. It involves the voluntary actions promoted by a firm which is consistent with the social, economic, political and environmental concerns. To this end, Crowther and Rayman-Bacchus (2004) point to the fact that ethical financial issues must comprise of interactions among critical financial stakeholders and would incorporate the transparency, sustainability and accountability of CSR principles.

Accordingly, Dovita (2023) posited that in the ever-evolving landscape of global finance, ethical practices in accounting stand as the bedrock upon which trust, transparency, and integrity are built. As financial markets become more interconnected and stakeholders demand higher standards of accountability, the ethical dimension of accounting has assumed unprecedented importance (De Silva Lokuwaduge et al., 2022).

Professional behaviour significantly and positively affects financial reporting quality, our findings were corroborated by D'Asquilla (2001), who opined that accountants have positive attitudes in respect to quality financial reports. This can be justified due to the pressure management puts on them as regards quality reporting and ethical behavior. This is based on the study of Ross, Gale and Goetz (2016) who said that development of professional practices requires extensive dialogue across professional disciplines from those practicing financial therapy in order to be not only acknowledged, but addressed.

Jejeniwa, Mhlongo and Jejeniwa (2024) argued from the position of the recognition of ethical conduct as the linchpin for sustaining trust and integrity in financial reporting. Ethical practices act as the compass guiding accountants through complex dilemmas and conflicting interests, ensuring that decisions align with transparency, accountability, and the public interest. Jejeniwa, et al further stated that the critical role of ethical conduct cannot be overstated—it is the cornerstone upon which stakeholders build trust in financial institutions, corporate entities, and the accounting profession as a whole. As the business landscape continues to evolve in response to technological advancements, globalization, and shifting cultural dynamics, the future outlook for ethical standards in accounting remains dynamic and complex.

Secondly, it was discovered that objectivity significantly and positively affects financial reporting quality. This finding is further buttressed by Ogbonna and Ebimobowei (2011), who believed that accountants who hold high the objectivity of the profession will produce a quality financial report, than those who impair objectivity. Integrity also significantly and positively affects financial reporting quality. This finding is in tandem with works of Eginiwin and Dike (2014) perceived that truthfulness have a positive relationship on financial reporting quality. Confidentiality positively and insignificantly has an impact on financial reporting quality. The outcome of the research of Aifuwa, Embele and Saidu (2018) is consistent with the study of Ogbonna and Ebimobowei (2011) and Enofe et al. (2015) who also maintained that confidentiality does not significantly affect financial reporting quality. This could be as a result of the statistical valuation technique and small population used in their study.

Consequently, it was found out that professional due care and competency affect financial reporting quality. A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques.

London Premier Centre (2023) in their study identified the following ethical issues that influence the financial management process and these include financial fraud and corruption; employee theft or embezzlement; insider trading; conflicts of interest in investment decisions; market and wealth manipulation; accounting and transactions fraud; misrepresentation of financial statements; tax evasion and avoidance, and stealing funds.

Freel (2023) noted that although the main purpose of ethical behaviour is the consideration of whether an action is the right thing to do rather than a calculation of whether it leads to higher business profits, numerous attempts have been made to estimate the financial value of ethical behaviour and good corporate citizenship. He added that most of the qualitative and perception studies in this area are fraught with a lot of methodological flaws, since there are no reliable indications with which to measure the financial gains of business ethics.

From the foregoing review, all the above literature tends to support the intuitive knowledge that entrepreneurs gain from business experience. Suffice to highlight that integrity and ethical strong will in financial practices is the foundation of sustainable business and contribute immensely to shareholder’s value.

5. Findings

i. Dishonesty and immoral financial practices in organization’s is a global issue.
ii. Fraud is the largest industry with many practitioners globally.
iii. An ethical practice is a comprehensive approach that a corporation takes to meet or exceed stakeholder expectations beyond measures of revenue, profit, and legal obligations.
iv. Ethical financial issues must comprise of interactions among critical financial stakeholders.
v. Global finance, ethical practices in accounting stand as the bedrock upon which trust, transparency, and integrity are built.
vi. Ethical practices act as the compass guiding accountants through complex dilemmas and conflicting interests, ensuring that decisions align with transparency, accountability, and the

public interest.

6. The Challenges facing Ethical Financial Practices

Dependent upon public authority, countless citizens can be positively affected or dramatically harmed, taxpayer resources can be efficiently managed or incalculable in loss, and public agencies can be perceived as problem solvers or simply agents of ineffectiveness and obsolescence by the public they serve. Employing a process to affect lasting positive outcomes in the public interest through ethical decision-making is rife with hurdles and one might therefore assert is not, nor should it normally be, easy.

Freel (2023) succinctly elucidated the limitations of an ethical corporate finance inspired by philosophy which are worthy of adoption and these are not far-fetched. They include:

i. The complexity and ambiguity of ethical questions: The ethical dilemmas that companies face in corporate finance are often complex, ambiguous, and multidimensional, and philosophical theories may offer different and sometimes contradictory answers to these questions. Therefore, it may be difficult for companies to choose the best ethical approach and to resolve the inherent tensions and paradoxes in ethical issues.

ii. The gap between theory and practice: Although philosophy can provide ethical principles and conceptual frameworks for addressing ethical issues in corporate finance, there may be a gap between theory and practice, and companies may encounter obstacles in implementing these principles and frameworks in their daily activities. These obstacles may include organizational constraints, competitive pressures, financial incentives, and cultural norms.

iii. Resistance to change: Adopting an ethical corporate finance inspired by philosophy may require profound changes in the values, beliefs, and practices of companies and may encounter resistance from leaders, employees, and other stakeholders who may be attached to traditional approaches or may perceive these changes as threatening their personal or professional interests.

iv. Costs and resources: Implementing an ethical corporate finance inspired by philosophy may involve additional costs and resources for companies, such as investment in ethics education and training, research and development of ethical policies and systems, and communication and engagement with stakeholders. These costs and resources may be perceived as a burden or challenge, particularly for small and medium-sized enterprises that may have limited resources and time constraints.

v. Measuring and evaluating ethical performance: Evaluating and measuring the ethical performance and social and environmental impacts of companies in corporate finance can be difficult and controversial, due to the lack of universal criteria and indicators, the diversity of approaches and methods, and issues of comparability and subjectivity. This difficulty can make it challenging for companies to demonstrate and communicate their commitment and success in ethics and social responsibility."

7. Conclusion Remarks and Recommendations

So, although individual characteristics are a factor in determining ethical behavior, good character alone simply does not prepare people for the special ethical problems they are likely to face in their jobs or professions. Special training can prepare them to anticipate these problems, recognize ethical dilemmas when they see them, and provide them with frameworks for thinking about ethical issues in the context of their unique jobs and organizations.

Professional standards and ethical codes are critical to consider when practitioners are providing combined services of financial planning and counseling and mental health therapy, particularly when there are multiple practitioners involved from different disciplines. The ongoing evolution of ethical standards will necessitate continuous dialogue, collaboration, and adaptation within the accounting community, fostering a culture that not only responds to change but also actively shapes the ethical landscape of the future.

In conclusion, sustaining ethical practices in accounting is a collective endeavor—one that involves stakeholders at every level, from individual accountants to organizational leadership and regulatory bodies. By embracing the interconnected nature of ethical decision-making, corporate governance, and compliance trends, the accounting profession can fortify its foundation, ensuring that it stands resilient in the face of challenges and continues to be a beacon of trust and integrity in financial reporting.

Further to the above therefore, this work recommends:

i. The stakeholder's engagement in Town Hall Meetings (THM) to ensure the continuity of financial ethical discussions, dialogue and reflection. Organizations should encourage open dialogue and continuous ethical reflection to involve employees, leaders, and stakeholders in discussing financial ethical dilemmas and possible approaches to resolve them This can help clarify ambiguities, identify compromises and synergies, and develop consensus and commitment towards shared ethical values and principles.
ii. There should be prioritization of organizational learning, improvement, research and development. This approach should be targeted at integrating ethics and philosophy into corporate finance, learning from mistakes, successes, and financial management best practices.
iii. Adoption and improvement of ethical policies, systems, and skills based on feedback, evaluations, and emerging challenges should be prioritized.
iv. Partnership and collaboration to overcome obstacles and constraints related to the adoption of an ethical corporate finance inspired by philosophy by establishing collaborations and partnerships with other companies, universities, non-governmental organizations, and financial institutions, to share resources, knowledge, experiences, and innovations, and to promote common ethical standards and practices.
v. The adoption and deployment of technologies and other relevant management tools which can facilitate the application of philosophical and ethical principles in corporate finance, such as information and communication systems, modeling and analysis software, reporting standards and frameworks, and indices and certifications of ethical performance. In summary, although the adoption of an ethical corporate finance inspired by philosophy presents challenges and limits, these obstacles can be overcome through concerted efforts and adapted strategies. Companies that successfully integrate ethics and philosophy into their corporate finance can benefit from better financial performance, greater resilience to risks and crises, and a better reputation and legitimacy with stakeholders.

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