International Journal of Emerging Technology in Computer Science & Electronics (IJETCSE)
ISSN: 0976-1353 Volume 11 Issue 2 –NOVEMBER 2014.

Ethical Hacking: Ethical Banking

P.Vinay Kumar

Lecturer in Computer Science, K.B.N. College, Vijayawada

vinaypyaniv@gmail.com

Abstract— It is the objective of this paper to give an introduction to the notion of what is often described as "ethical, sustainable, social, alternative, development or solidarity" banking and finance. The common bond and specificity of this type of financial institutions is that they are characterized by values driven impulses and practices at the core of their business while values are poorly developed in the field of mainstream commercial banking and finance. This paper is giving an overview of the principal modern pioneers in this field and is putting them in a historical context, describing the nature of their initiatives and as an example going deeper into the case of Triodes Bank from an ethical point of view.

I. INTRODUCTION

The private sector and financial institutions in particular, are increasingly expected to play an important role in helping to create a truly sustainable world. Conscious consumers, ethical investors, enlightened businesses, nongovernmental organizations (NGOs), cultural creative, and leading international institutions are working to make the triple bottom line (People, Planet and Profit) a reality. These people and institutions want solutions for poverty, injustice, war, widespread diseases, educational inequalities, destruction of nature and the planet. In short, they want to improve quality of life for everyone on this planet, and they understand that we all are economically interdependent and thus responsible for taking care of current and future generations. Nurtured at a personal level. These people and institutions know that knowledge, capital and energy are available to solve most of the problems, and they see themselves as part of the solution, ready to contribute.

Non-governmental organizations are calling upon financial institutions to implement more socially and environmentally responsible lending policies. An example of this is The Collevecchio Declaration on Financial Institutions and Sustainability, which outlines six principles that financial institutions should embrace: a commitment to sustainability, to 'do no harm', to responsibility, to accountability, to transparency and to sustainable markets and governance. In addition it explicitly calls on financial institutions to advocate for regulation.

Some developments are making their way into mainstream decision-making in the financial industry. Clear indications of this are demonstrated by major financial institutions signing internationally recognized standards such as The Principles for Responsible Investment, (which concern environmental, social, and corporate governance issues), and The Equator Principles. And although it is a long way to change policies in the banking sector, especially when the driver is the 'common good' and an ethical approach, some first steps have been made. This mainly concerns the creation of ethical investment funds, separate from the core banking business and the introduction of lending policies with ecological criteria for the sake of risk reduction or reputation protection. However, ethical private development banking as a core mission is still not on the agenda of institutions mainly focused on financial return, driven by stock markets and short-sighted shareholders. Crucial human development and sustainability issues, such as poverty alleviation, awareness of the human impact on climate change, investments in renewable energy, fair trade and organic agriculture, demonstrate possibilities for a widening of the scope of responsibility for financial institutions.

They have to:

1Understand and accept their responsibility in handling money-streams

2. Establish internal rules and systems that can cope with ethical

As this is probably more than one step too far for most financial institutions, the near future of truly sustainable ethical banking will be furthered by specialized banking institutions with ethics as part of their DNA and mission, and with financial activities clearly oriented towards human development, quality of life and a decent financial profit.

II. EMERGENCE OF ETHICAL BANKING AND FINANCE

Quite early in history gold, reflecting the spiritual world, served artistic, religious and economic goals, and was directly linked with the gods and their servants, the priests, who organized its flow. Throughout medieval times Christianity set its laws on usury, Islam set its rules on interest, and monasteries organized economic life in their surroundings, working with investments and charitable actions in a moral and religious perspective. In these times humanity was strongly organized around three realities: the spiritual world, the world of nature, and local social entities. Since the beginning of the 15th Century, natural sciences and later enlightenment, gradually emancipated people from the world of the gods, nature and their local social environment. The relationship between human beings changed with the context and background of modern society are fruitful to the emergence of modern ethical banking concepts and practices.

III. ESSENTIAL CHARACTERISTICS OF BANKING ON VALUES

Social, ethical, alternative, sustainable, development and solidarity banking and finance are denominations that are currently used to express particular ways of working with money, based on nonfinancial deliberations. A precise and unified definition of these types of finance as such is not available and perhaps not possible because of the different traditions from which ethical finance actors have emerged. While individual motivations from founders, investors, savers,

Freedom of thought, opinion and expression using reason and conscience are leading to financing art and culture, education and research

Equal rights at a political and juridical level, the freedom and right of association in a democratic society and the right to work are a basis for financing civil society projects and for participating in the public debate about the benefits and challenges of shared social responsibility

A spirit of brotherhood, based on understanding, tolerance and cooperation in economic life leads to financing social entrepreneurs especially in the areas of high urgency like poverty alleviation, fair trade, environmental production and preservation. Define absolute criteria about who they will not lend money to, for example nonsustainable products and/or services and those involving unsustainable working or production processes. Their specific products and services reflect these values and intentions. While money is a catchword of our age, to ethical banking institutions and their shareholders, savers, investors and borrowers money and ethical banking practices are instruments for human development. These characteristics differ with those of mainstream finance, mainly driven by market forces, shareholder value and financial return.

Socially responsible investment

In the 18th Century, the Quakers in the United Kingdom refrained from investing in industries they were morally opposed such as tobacco, alcohol, gambling and the slave trade. This was the first negative ethical screening of investments, later to become known as Social Responsible Investment (SRI). It continued into the 1920's with the Methodist Church of North America screening out negative activities, or 'sin stocks' from their investment portfolios. In the 1960's and 70's the conviction that investment funds could be used to achieve social change give rise to the public demand for ethical investment vehicles such as the Pax World Fund. In the 1980's investments supporting the South African apartheid regime were avoided, and Friends Provident (UK) was the first financial institution to launch an SRI fund. With its help, the Ethical Investment Research Service (EIRIS) was established to provide critical research and information on stock listed company's social, environmental and ethical performance. In the United States, Amy Domini developed her ethical screening advice services and the first ethical stock market index.

At the beginning of the 1990's, a first attempt was made in The Netherlands to develop a positive ethical screening to be used alongside the original negative ones. This positive screening involves a bestinclass method, where company performances were compared with those of competitors. This type of screening has since further been developed and several ethical screening organizations have been established. Standards of screening have been developed and screening services are now being widely provided to banks, insurance companies, asset managers, private bankers, institutions and high net worth individuals. Most stock listed companies have had some form of ethical screening of their social and ecological behavior so that ethical funds or asset managers can constitute diversified portfolios primarily based on combined negative and positive ethical criteria. Some of these funds, such as those of the Triodos Bank Group are also actively involved in (proxy) voting at shareholder meetings. The ethical investment fund market is developing quickly and many mainstream banks are offering such products.

Today there are more than 600 ethical investment funds worldwide and their number is constantly increasing. However the ethical quality of these products differs significantly in terms of quantity and content of positive and negative criteria applied. As a quality label the generic denomination ethical fund, indicating that some sort of ethical screening has been applied, is not appropriate.

As corporations have a tremendous impact on both people and planet, and as they are operating more globally than ever, their corporate responsibility needs to be engaged. It's making its way to the boardroom table as well as that of management and has begun to become integrated into internal structures. However high-quality corporate responsibility is still an exception. Whether responding to customer's needs, preparing and positioning for the future, or as a result of enlightened leadership, this development is likely to grow and so will the number of ethical questions and dilemmas. By applying ethical screening to their investments, ethical funds, institutional investors, and pension funds are exercising influence on management, and gradually corporations are responding with improved transparency, reporting and accountability.

In the best circumstances ethical screening and investor pressure is contributing to a process of intensified observation, questioning, reflection, measurement, ethically amended business principles and consequently adapted decision-making.

Better reporting, external social and environmental auditing, the elaboration of social and environmental guidelines in corporate governance codes, feedback by the screening analysts and regulations could lead to a system of permanent upgrading of ethical conduct by corporations.

Socially responsible investment is of a totally different nature than ethical banking since it relates to the ability to influence company behavior through the provision of capital to stock-listed companies. Ethical banking, as described below essentially relates to direct financing and loans.

Ethical banking

Ethical banking provides direct finance through lending and risk example of how essential needs can be fulfilled through forms of collaboration and mutuality in membership organizations. Modern forms of cooperation beyond focusing on membership needs such as the fair trade and microfinance movements, combining economic with social values, are a step forward in the understanding and practice of brotherhood and solidarity in a global economical context. Both the cooperative movement and the new social movements from the 1960's have developed a practice of ethical banking. Cooperative banks and new social banks co-exist, while some mainstream banks have become aware of business opportunities in this sector.

IV. CONCLUSION

Although private community and development banks, microfinance banks, ethical, environmental and social banks and ethical funds differ in terms of focus, accents, clients, products and business culture, they have in common to practice banking and investment with a human development mission. The differences tend to be rather complementary qualities that can be fertile in combination with each other. Ethical banking as it has been described above stands in a historical line of continuous search for the application of ethical principles in banking and is in line with broader trends in the 20th and 21st centuries such as the emergence of civil society and the new social class of cultural creative's, growing consumer awareness, social justice and environmental movements and the growing recognition of social entrepreneurship, to name a few.

Some questions require continuous attention: Will this emerging financial business sector be able to achieve the relative scale and the professionalism to challenge the dominance of mainstream finance? Will the exceptions of the financial industry become the exceptional and a factor in modern society?

V. REFERENCES

[1] http://en.wikipedia.org/wiki/Ethical_banking
[2] http://www.socialbanking.org/fileadmin/isb/Artikel
[3] http://www.uswitch.com/current.com
[4] https://www.triodos.co.uk
[5] http://www.australianethical.com.au/news/ethical-banking