

**T.R.**  
**ISTANBUL SABAHATTIN ZAIM UNIVERSITY**  
**GRADUATE EDUCATION INSTITUTE**  
**DEPARTMENT OF BUSINESS ADMINISTRATION**

**COMPARISON OF CONSUMER ETHICS PERCEPTION  
OF ISLAMIC BANKING CUSTOMERS WITH  
CONVENTIONAL BANKING CUSTOMERS IN THE  
CONTEXT OF PROSPECT THEORY**

**Ph.D. DISSERTATION**

**Seda YILMAZ**

**Istanbul**  
**January 2025**

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**Istanbul**  
**January, 2025**

This study has been approved in partial fulfillment of the requirements for Ph.D. Degree in Business Administration.

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## **SCIENTIFIC ETHICS DECLARATION**

This is to certify that this PhD dissertation titled “Comparison of Consumer Ethics Perception of Islamic Banking Customers with Conventional Banking Customers in the Context of Prospect Theory” is my own work, and I have acted according to scientific ethics and academic rules while producing it. I have collected and used all information and data according to scientific ethics and the guidelines on thesis writing of Sabahattin Zaim University. I have fully referenced, in both the text and bibliography, all direct and indirect quotations and all sources I have used in this work.

Seda YILMAZ

## **PREFACE**

Completing this study has been a journey that would not have been possible without the support, encouragement, and contributions of countless individuals and institutions. With immense gratitude, I take this opportunity to acknowledge those who have made this work possible.

First and foremost, I owe my deepest thanks to my family. Their unwavering support, patience, and belief in me have been my greatest source of strength. Without their encouragement, this work would have remained an unfulfilled dream.

Throughout this journey, I have been fortunate to have the support of countless friends, colleagues, and mentors who have shaped my perspective and enriched my knowledge. While it is impossible to name everyone here, please know that your contributions, big or small, have left an indelible mark on this work.

Finally, to all those who have supported this study in any way—whether through guidance, encouragement, or simply by being there—I offer my deepest gratitude. This work is as much yours as it is mine.

Thank you.

Seda YILMAZ

## ABSTRACT

# COMPARISON OF CONSUMER ETHICS PERCEPTION OF ISLAMIC BANKING CUSTOMERS WITH CONVENTIONAL BANKING CUSTOMERS IN THE CONTEXT OF PROSPECT THEORY

Seda YILMAZ

Ph.D. Dissertation, Business Administration

Supervisor: Assoc. Prof. Dr., Haşmet GÖKIRMAK

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The Ph.D. dissertation entitled "*Comparison of Consumer Ethics Perception of Islamic Banking Customers with Conventional Banking Customers in the Context of Prospect Theory*" investigates the ethical perceptions of consumers in Islamic and conventional banking systems. Using Prospect Theory and the Muncy-Vitell Consumer Ethics Model as theoretical frameworks, this study explores the differences in ethical perceptions and behaviors between these two groups of banking customers.

Data were collected through surveys, and the findings indicate that Islamic banking customers demonstrate a higher sensitivity to ethical values and a distinct risk perception that impacts their ethical behaviors. Key Islamic banking principles, such as *riba* (interest prohibition), *gharar* (uncertainty), and *halal* (permissible) transactions, were examined for their influence on consumer ethics.

The research reveals significant differences in ethical perceptions, which are crucial for the marketing and management of banking services. This study contributes to a deeper understanding of how ethical considerations shape consumer behavior in different banking contexts and provides insights into the role of Islamic banking principles in fostering ethical financial practices.

**Keywords:** Islamic Banking, Conventional Banking, Prospect Theory.

## ÖZET

# BEKLENTİ TEORİSİ BAĞLAMINDA İSLAMİ BANKACILIK MÜŞTERİLERİNİN TÜKETİCİ ETİĞİ ALGISININ GELENEKSEL BANKACILIK MÜŞTERİLERİ İLE KARŞILAŞTIRILMASI

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Bu doktora tezi, İslami bankacılık müşterilerinin ve geleneksel bankacılık müşterilerinin tüketici etik algılarını Prospect Teorisi bağlamında karşılaştırmaktadır. Çalışmanın amacı, İslami bankacılık müşterilerinin ve geleneksel bankacılık müşterilerinin etik algılarındaki farklılıkları ortaya koymak ve bu farklılıkların tüketici davranışlarına olan etkilerini incelemektir. Tezin teorik çerçevesi, Prospect Teorisi ve Muncy-Vitell Tüketici Etik Modeli üzerine kurulmuştur.

Araştırmada, İslami ve geleneksel bankacılık müşterilerinin etik algıları anket yöntemiyle toplanan verilerle analiz edilmiştir. Bulgular, İslami bankacılık müşterilerinin etik değerler konusunda daha duyarlı olduklarını ve risk algılarının etik davranışları üzerindeki etkisinin belirgin olduğunu göstermektedir. Ayrıca, çalışmada İslami bankacılık ilkelerinin (riba, gharar, helal) ve sosyal adalet vurgusunun tüketici davranışlarına olan katkıları ele alınmıştır.

Sonuç olarak, İslami bankacılık müşterilerinin etik algıları ile geleneksel bankacılık müşterilerinin etik algıları arasında önemli farklılıklar bulunmaktadır. Bu farklılıklar, bankacılık hizmetlerinin pazarlanmasında ve yönetiminde dikkate alınması gereken önemli unsurlardır.

**Anahtar Kelimeler:** İslami Bankacılık, Geleneksel Bankacılık, Beklenti Teorisi.

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# CHAPTER I

## INTRODUCTION

According to Hassan et al. (2023), Budianto (2023), Nabella et al. (2023), and Yılmaz and Turanlı (2023a), Islamic banking is a significant financial firm sector that has grown in importance in recent years. It especially appeals to markets where financial services are viewed as offensive for cultural or religious reasons. Interest, a phenomenon that is forbidden in many countries both culturally and religiously, lies at the center of all interactions between bank customers and transactions in the conventional banking system (Rahman et al, 2023; Khan et al, 2023; Rahmayati, 2021). It is not deemed religiously acceptable in Islam to give or receive interest, or to do commerce with someone who deal in interest.

The severe and grave criticism that the banking industry and its profits were not adequately incorporated into the Islamic world led to the development of the Islamic banking sector, which excludes interest from transactions (Tegambwage and Kasoga, 2023; Mutamimah and Saputri, 2023; Tarique et al, 2021). Savings valuation is a major worry in the Islamic banking sector, just like it is in the conventional banking sector. In general, all financial transactions and investment involves a cost or a flow that results in the change of financial worth. Risk and investment-specific ethical concerns are brought to light throughout this process.

Risk is the possibility that an investment won't yield the expected return and that, in the pursuit of greater profits, some or all the earnings and savings would be lost (Esmaili et al, 2021; Al-kiyumi et al, 2021). Furthermore, the risk of losing the investment's time or the chance to select a better alternative may be increased by the fact that the investment's value stays constant, meaning it generates no return. Risk, which includes both the possibility of profit and the likelihood of winning, which comes with a time cost, is therefore an important factor to consider when making investments (Mulia et al, 2021; Jamil et al, 2023).

There is a broad correlation between risk and high profit expectations, according to numerous studies and research on the idea of risk in the finance literature (Budianto et al, 2023a; Shakya and Smys, 2021). The ethical cost of risk and the degree to which investments will be assessed ethically, however, are equally important

considerations in this process. In general, the idea of ethics dictates that all parties involved in a process or transaction must be treated fairly (Suandi et al, 2023; Rahman et al, 2023). Not everything that is legal is ethical, even though research shows a connection between ethics and legality (Jatmiko et al, 2024).

Even though they may be permitted by law, some religious groups consider activities such as collaborating with businesses that produce alcohol or tobacco products and supporting these businesses to be unethical. Therefore, the concept of ethics can be evaluated within the framework of the cultural, societal, and spiritual beliefs of the society in which individuals live, rather than solely within the legal framework (Fleischman et al, 2023; El Hajj and Hammoud, 2023; Jatmiko et al, 2023).

### **1.1. Background**

The global financial system is complex and shaped by various banking systems that cater to different economic and cultural needs. Islamic banking and conventional banking are the backbone of distinct paradigms that have changed under different ethical, religious, and economic frameworks.

Sharia Law is the set of principles that shape Islamic banking and its ethical norms. Transactions that involve *riba* (interest), *gharar* (excessive uncertainty), and financing of *haram* (forbidden) goods and services are restricted. Islamic banking promotes morality in economic activities and, therefore, achieves social objectives to inspire a positive change rather than aiming for profit maximization.

Conventional banking is based on a secular framework that is driven by profitability, efficiency and the growth of financial markets. Capitalism and liberalism are the backbone of this type of banking. Interest is the central working mechanism for conventional banking, whose focus is on risk and maximizing shareholder value. Ethical considerations are usually overlooked or second in priority due to its profit-based structure.

Consumer ethics is defined as the moral judgments and behaviors of individuals. Ethics is a critical area of concentration both in Islamic and conventional banking. It covers a whole range of issues such as trust in financial institutions and perceptions of fairness as well as banking practices catering to consumers' moral and ethical

beliefs. Islamic banking is closely related to consumers' ethics with its values as well as a unique set of expectations and behaviors among customers. On the other hand, conventional banking is related to consumer ethics in terms of societal norms and regulatory environment. Customer expectations, therefore, vary in perceptions and priorities.

Daniel Kahneman and Amos Tversky developed the Prospect Theory, which explains how consumers make decisions under uncertainty, especially in a financial context. Prospect Theory challenges the classic belief that consumers make rational decisions and concludes that decisions are usually influenced by psychological factors. Consumers usually avoid loss, frame situations, and use a reference point to decide. Islamic and conventional banking customers respond to ethical decisions that involve risk and uncertainty. Prospect Theory sheds light on this decision-making process.

## **1.2. Research Problem**

Although the literature on this topic is expanding, a significant gap remains in comparing the ethical perceptions of Islamic and conventional banking customers. Despite substantial research on each system individually, potential differences and similarities between the two have been largely overlooked. While Prospect Theory is well-known, particularly in economics and psychology, it does not address consumer ethics in banking. This area remains underexplored.

This research is a comprehensive comparative analysis of Turkish Islamic banking and conventional banking customers' ethical perceptions. It focuses on how customers perceive ethical issues and the decision-making process under uncertainty. The findings will help banks identify ethics' role in consumer behavior in different banking contexts. The research will also provide insight for banks to identify ethical standards in the financial sector.

## **1.3. Research Objectives**

The primary objectives of this research are:

-To compare the consumer ethics perceptions of customers of Islamic banking with those of conventional banking customers. This involves identifying and analyzing the key ethical concerns influencing customers' banking choices and behaviors in each system.

-To apply Prospect Theory to understand the differences in these perceptions. The study will explore how concepts such as loss aversion, framing effects, and reference points influence ethical decision-making in Islamic and conventional banking contexts.

-To assess the implications of these ethical perceptions for banking practices and policies. The research will examine how banks can better align their services with the moral expectations of their customers and how policymakers can develop regulations that promote ethical behavior in the banking sector.

#### **1.4. Research Questions**

The study seeks to address the following research questions:

What are consumers' ethical perceptions of Islamic banking? This question aims to explore how Islamic banking customers perceive ethics in their financial decisions and how these perceptions influence their decision-making process.

What are customers' ethical perceptions of conventional banking? This question examines the ethical decision-making process of conventional banking customers and highlights the differences compared to Islamic banking customers.

How does Prospect Theory explain the differences in ethical perceptions? This question will explore psychological factors that influence the decision-making process of these customer segments.

-What are the implications of these differences for banking practices and policies? This question will include recommendations for banks' management in addressing ethical issues in the financial sector.

### **1.5. Significance of the Study**

This study is expected to make several significant contributions to both academic literature and practical banking practices:

**Contribution to Academic Literature:** This research will employ the Prospect Theory framework to conduct a comparative analysis of consumer ethics in Islamic and conventional banking. It will emphasize the role of ethics in the consumer decision-making process across different banking environments. The findings of this study will contribute to the fields of behavioral finance, consumer ethics, and Islamic finance.

-Practical Implications for Banks: Strategic direction for banks will be easier to decide in alignment with the ethical expectations of their customers. Products and services will be designed according to the ethical standing of their customers. Conventional banks also can benefit from ethical standards and how they can use these to appeal to ethically conscious customers.

-Implications for Policymakers: This research will provide recommendations for better regulations to promote ethical behavior in the banking sector. The ethical concerns of Islamic and conventional banking customers can create better ethical environments.

### **1.6. Structure of the Thesis**

In Chapter 1, the research is introduced with background information, the research problem, objectives, research questions, and the significance of the study. In Chapter 2, a literature review is provided on consumer ethics in banking, Islamic banking principles, conventional banking ethics, and Prospect Theory, along with evaluations of comparative studies. In Chapter 3, the theoretical framework for applying Prospect Theory to consumer ethics is presented, along with hypothesis development. In Chapter 4, the research methodology is outlined, covering research design, data collection, survey instrument, and data analysis.

In Chapter 5, analysis and results from data collected and performed analysis were given as descriptive analysis, comparative analysis, application of prospect theory and hypothesis testing.

In Chapter 7, a summary of findings, contribution to knowledge, practical contributions, and final thoughts were given.



## CHAPTER II

### LITERATURE REVIEW

#### 2.1. Consumer Ethics in Banking

Capital investment in social and financial development has a long history. For many years, mutual societies, credit unions, cooperatives, and religious organizations have managed funds for social projects (Secinaro et al., 2020) p.1).

The banking industry has been evolving since Banca Monte dei Paschi di Siena first unveiled its doors in 1472. Its leveraged business strategy has shown to be quite scalable over time, but it is currently facing new challenges. First, its book-to-capital ratios have been continuously dropping since 1840. This pattern has persisted as competition has increased. The industry's profitability, as indicated by return on tangible equity, has decreased during the last ten years. This is caused in part by the net interest margin and in part by declining leverage and fee income (Broby, 2021, pp.1-2).

Banks play an important role in financial markets. Banks are financial institutions that act as intermediaries in transferring resources from those with surplus funds as loans to those in need of funds. Banks, therefore, perform an important duty as institutions that ensure the most appropriate exchange between savings and investments (Yetiz, 2016, p. 107).

Considering the years when banking operations first began and the modern banking period, the financial instruments obtained because of basic banking operations attract attention today. The basic banking operations are deposit and credit. When considering these banking operations, in addition to the basic banking operations, operations designed for capital market operations and payment systems are also considered (Yıldırım, 2020, p. 66).

To understand why social change occurs, studying how it happens is a meaningful and valid approach. Conventional economic theories have often proven inadequate in answering this question, although they have identified some key variables since Adam Smith. While these theories do explain how existing inequalities arise, they fail to provide serious and consistent alternatives that enable policymakers in underdeveloped countries to overcome their challenges (Şahinkaya, 2021, p. 1032). The explanation for this is straightforward: conventional economic theory makes the

assumption that some aspects of the economy, whether they be macro or micro, dynamic or static, are "given and constant." These factors include economic and non-economic institutions as well as technology. Nonetheless, it has been demonstrated that the historical evolution of the industrialization and development criteria of wealthy nations has undergone substantial modifications (Şahinkaya, 2021, p. 1032). In addition to ensuring the flow of funds in the economy, banks perform other important functions for the economy, such as creating registered money, helping to implement monetary and fiscal policies, and influencing the distribution of income and wealth. A strong banking sector ensures a strong economy for a country (Yetiz, 2016, p. 107).

### **2.1.1. Evolution of banking and its societal impact**

The early forms of banking can be traced back to a time when the economy had not yet adopted money as a medium of exchange. During this period, people entrusted their belongings to temples for safekeeping against various threats. Rather than leaving these possessions idle, the clergy lent them back to their owners. As a result, the first banks in history were temples, and the earliest bankers were members of the priesthood (Yetiz, 2016, pp. 107-108)

In later periods, rulers began to assume these responsibilities. As individuals started making purchases and exchanging their belongings for other essentials, the need for a formal payment method gradually emerged (Yetiz, 2016, pp. 107-108).

Banking has its roots in exchange and trade for centuries. The use of money—minted in a specific form during the Roman period, with characteristics such as weight and metal type indicated by symbols—as a medium of exchange marked a significant economic development. This led to the regulation of the value of goods, as well as debt and credit relationships, through these 'monetary' units. As a result, trade gradually shifted from a barter-based system to a money-based system (Şahinkaya, 2021, p. 1033).

The oldest institution in history bearing the name of a bank is the Banco de Barcelona, founded in 1401, while the first state bank was founded in Venice in 1587. With the emergence of the concept of capitalism in the world towards the end

of the 19th century; Banks specialize in investments and business banking, providing medium and long-term loans (Yıldırım, 2020, p. 65).

The Bank of Amsterdam, the first bank in the modern sense, was established in the Netherlands in 1609. The Bank of Venice was established in Venice in 1637. The king's seizure of the gold bullion held by merchants in the Tower of London in England in 1640 caused merchants to lose faith in the government, and they started selling their gold to "goldsmiths" in exchange for certificates. After a few years, the goldsmiths observed that the gold in their securities was lying idle, and they started distributing their own promissory notes, now called jewelers' notes, to people who sought to acquire credit on them. The fact that these notes eventually circulated on the market created the first banknote system (Yetiz, 2016, p. 109).

Banks are perhaps the most surprising of all the institutions of modern capitalist society. They are institutions that emerged in different forms at different periods of economic and social development and have undergone a very long historical process. The need to finance the efforts to establish industrial enterprises based on modern technologies which are perceived as one of the important elements characterizing industrialization (Şahinkaya, 2021, p. 1033).

Factors like collecting from buyers in other locations, the risks and challenges of transporting precious metals, keeping metals in secure locations, and the existence of a relationship between a buyer who opts for credit and a seller who wants to be paid in cash have all contributed to the growth of trade and played a part in the development of banking (Yetiz, 2016, pp. 107-108).

The areas of activity of banks today are quite diversified. This diversity in the sector and the expansion of operations have not changed the intermediary function of banks in attracting deposits and issuing loans but, on the contrary, have improved it. In this regard, although the functions of banks are formed based on the existence of risk and unreliability in financial markets and the intermediary role in the credit market, the bank can specialize in attracting and reissuing loans between the final debtor and the creditor and playing the role of an intermediary in this market. In this regard, the main functions of banks can be divided into three: the production of services, the transfer of resources, and the creation of purchasing power (Yıldırım, 2020, p. 65).

To achieve a radical transformation of the economic structure from an agriculture-based system to a modern industry-based one, banks played a crucial role. Consequently, banks and financial markets, as a broader concept, became integral to economic development, significantly influencing the nature of industrialization (Şahinkaya, 2021, p. 1033).

### **2.1.2. Consumer Ethics Models**

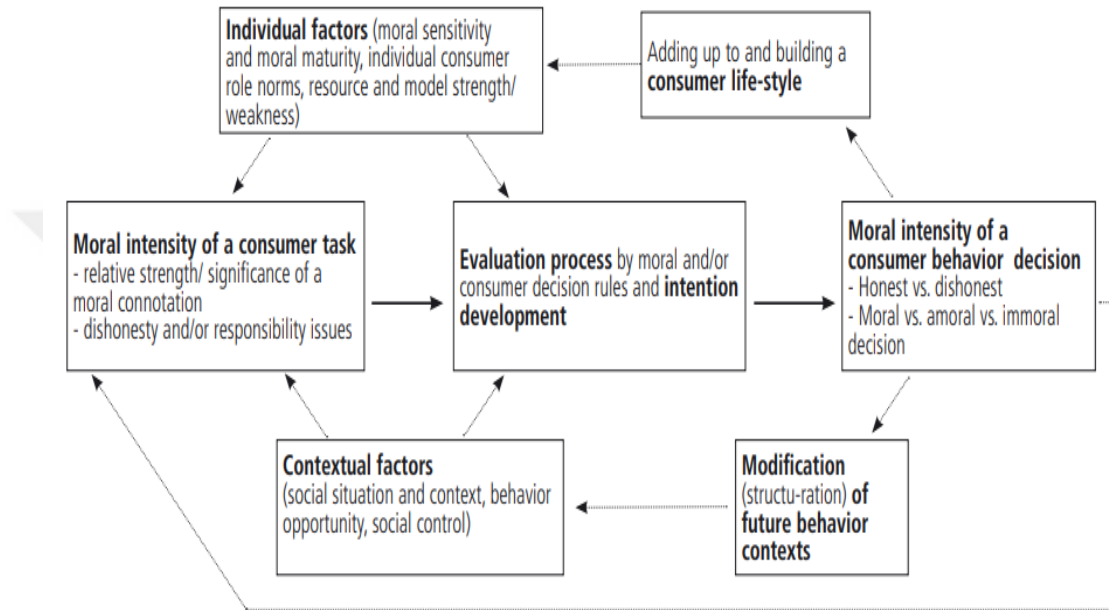
Research on the moral implications of consumer choices is not new. Almost all the non-academic literature has focused on providing evidence in support of the idea that ethics are important. The willingness of consumers to profit from dubious practices, their response to sellers' unethical behavior, their perception of business ethics and product purchases, their willingness to pay for socially acceptable products, and the emergence and causes of consumer boycotts of businesses are just a few of the many topics that have been the subject of scholarly literature on ethical consumerism. Studies evaluating responsible consumer behavior, attitudes, and intentions to buy ethical products, like environmentally safe products, are also widely available in the literature (Belk et al., 2005, p. 277).

With much of the literature concentrating on bad ethics rather than good ethics and on consumer dishonesty rather than consumer idealism or responsibility, consumer ethics is an immature subfield in business and marketing ethics. Taking up the latter viewpoint, this conceptual paper explores how we may attempt to comprehend consumer social responsibility from viewpoints like political consumerism, consumer citizenship, and consumer decision making. Extending conventional models of consumer behavior and the decision-making principles that govern them is the extent of a large portion of the work on the positive ethical aspects of consumer behavior (Brinkmann ad Peattle, 2008, p. 22).

The moral norms and principles that direct people's actions when they purchase, use, and discard goods and services are known as consumer ethics. It has been suggested that consumers have an obligation to behave morally in their one-on-one dyadic interactions, which usually entails acquiring and perhaps utilizing goods and services, but it may also include destroying them. We refer to this obligation as consumer ethics. There are two primary streams of consumer ethics literature now in

publication. Shoplifting, insurance fraud, and other context-sensitive aberrant conduct are the subject of one body of research. The second collection of research offers a more comprehensive explanation of morally dubious consumer behavior that is ethically defined (Hassan et al, 2022, p.112).

Consumer ethics process and related factors were given in the figure below.



**Figure 2.1: Consumer Ethics Process and Related Factors**

**Source:** Brinkmann ad Peattle, 2008, p.25.

A person's ethical standards will be influenced by a variety of life situations. The existence of war and the threat of terrorism are two particularly potent elements of the culture of the average consumer. Studies reveal detrimental impacts on the short-term and long-term pathological makeup of people who are raised in violent environments. These impacts include societal ramifications for the population's developed patterns of functioning as well as attitudes, views, and beliefs (Rawwas et al., 1995, p.64).

Muncy and Vitell (1992) categorized different consumer behaviors according to perceived harm, legality, and active and passive customer involvement. The following actions were included in this classification. Active benefit from unlawful

acts is the first, and it describes behaviors when the customer actively and knowingly engages in dubious activities. The second is passive benefit, which describes situations where a seller's error helps the customer. The third is "active benefit from deceptive but legal activities," which describes how consumers actively participate in behaviors that most consumers do not consider unlawful. The fourth is do no harm, which refers to unlawful activities that most customers believe do not directly affect anyone. The fifth is recycling and good behavior, which includes acts that are both ecologically friendly and selfless (Hassan et al, 2022, p.112).

Vitell and Muncy noted in the early 1990s that there was a dearth of research on consumer ethics and that the buyer side of the buyer/seller dyad was not given enough attention. Only three earlier research that empirically examined consumer ethical perceptions were located by them. Small sample sizes, a restricted scope, and a lack of focus on attitudinal issues were the limitations of these investigations. As a result, they created a consumer ethics scale and discovered that consumers' responses to various ethical dilemmas vary (Vitell et al., 2005, p.176).

According to the Hunt–Vitell model (1993), a decision maker's assessment of an ethical dilemma in each circumstance is followed by their view of the several options that could be employed to address the issue. A deontological evaluation and/or a teleological evaluation are the two main ethical assessments that may occur after the consumer has selected a group of apparent alternatives or courses of action. While teleology concentrates on the results of those behaviors, deontological evaluation concentrates on the acts or behaviors of the consumer. People try to examine when they make a deontological assessment (Vitell, 2003: 34).

Consumer ethics are more challenging to evaluate than other observable variables like competitiveness, exchange rates, and distribution channels since they are ingrained in a country's worldwide marketing environment and culture. Additionally, consumer (unethical) decision-making has managerial ramifications for consumer goods makers, distributors, and retailers regarding profitability, marketing strategy, control systems, and other regulations. Numerous research has demonstrated that determining the ethical viewpoints of consumer populations across different nations helps to clarify a significant cultural influence on consumer behavior. This knowledge can then be applied to better understand firm-level strategies intended to

successfully reduce the impact of culture on businesses' global operations (Erffmeyer et al., 1999, p.36).

The study of whether behaviors are appropriate or inappropriate in consumer behavior is known as consumer ethics. It involves applying general ethical principles to real-world consumer behavior issues, including lying, cheating, and deceiving, to distinguish between morally right and wrong behavior. Previous studies have highlighted how little we currently know about consumers' ethical decision-making. Since ethics play a crucial role in every facet of consumer behavior, disregarding consumer ethics in research could lead to the creation of incorrect marketing tactics. This study's emphasis on consumer ethics is one of its strong points (Swaidan, 2012, p.202).

### **2.1.3. Consumer Ethics Models in Banking**

According to social and environmental responsibility, banks should be built on a foundation of morals and values deemed essential for a profitable enterprise. Additionally, there should be a balance between the interests of the bank and its clients. All these characteristics point to an integrated corporate ethics system that applies to all aspects of the bank's operations, including daily operations at the branches and staff, as well as management, where the board approves the institution's strategic decisions. (Ionașcu et al, 2022, p.138).

Consumers can be encouraged to adopt more ethical lifestyles, recognize the moral significance of certain types of purchases — especially agricultural products — and consider the moral aspects of specific purchases when making decisions. Marketers can also create a purchasing environment where ethical products are readily available, providing shopping opportunities and fostering social pressures that encourage consumers to consider and buy these ethical products. Thus, the two key types of intervening variables in consumer behavior patterns that marketers can manipulate to promote responsible consumption are situations and information (Brinkmann and Peattle, 2008) p.26).

In fulfilling their responsibilities, banks must encourage their stakeholders to report any potential anomalies or branches they encounter and take appropriate action. Furthermore, banks prohibit any form of retaliatory action against individuals who

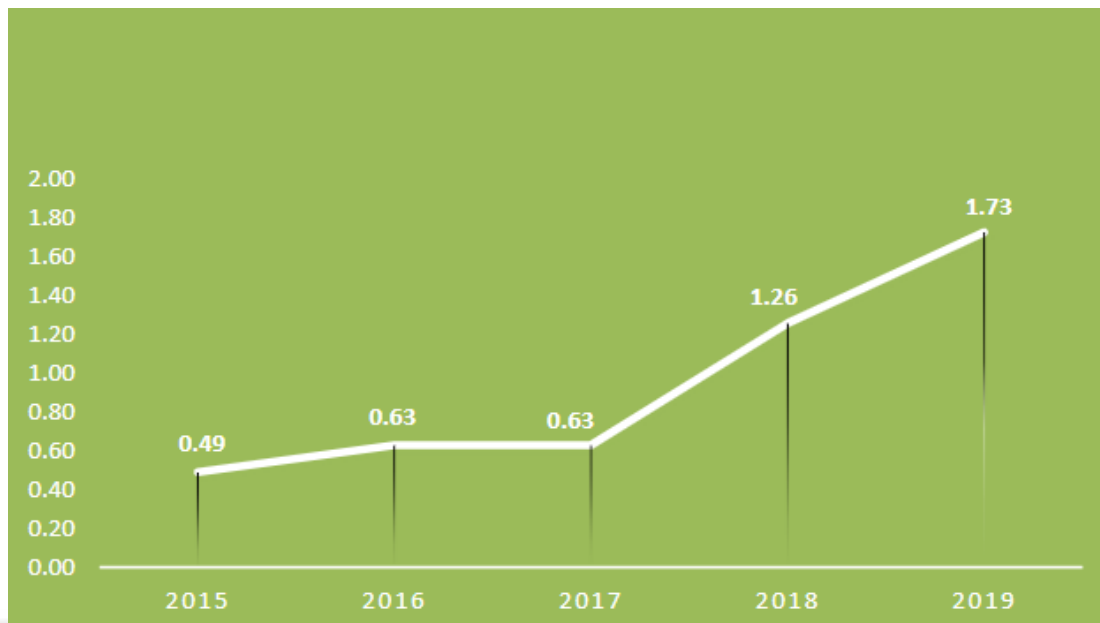
truthfully report suspected wrongdoing or actual code violations. Employees who disclose infractions of the code, such as discrimination and unfair treatment, will be protected by the bank, which also prevents negative consequences for those who report in good faith any real or suspected violations of the code's values and principles. (Ionaşcu et al, 2022, p.139).

## **2.2. Islamic Banking Principles**

### **2.2.1. Overview of Islamic Banking Principles**

Islamic economics is an economic system based on Islamic law that is emerging within a new economy. Naturally, the development of Islamic banking corresponds with the evolution of Islamic economics. The Islamic economic system is experiencing significant historical changes in the modern era, and its growth is closely tied to the current patterns of new economic development, which encompass rapid changes and seemingly limitless activities. In this new economic landscape, the rise of the Islamic banking system is expected to serve as a remedy; it is anticipated that the Islamic banking system will further enhance the economies of Muslim nations around the world. (Suharli et al., 2021, p.277).

An Islamic bank is a type of financial institution that primarily offers financing and services related to money circulation and payment flow in accordance with sharia law. According to Muhammad Syafi'i Antonio, Islamic banks function according to sharia principles, which reference the Qur'anic and hadithic laws. It was further clarified that the Islamic procedure for muamalat, which distinguishes itself from practices considered to involve usury, contains the laws of Islamic law pertaining to Islamic banks. Islamic banks are defined as financial institutions that operate according to sharia principles in Law Number 21 of 2008 governing Islamic banking. (Rahmayati, 2021, p.66).



**Figure 2.2: Profitability of Islamic Banks in the world**

**Source:** Suharli et al., 2021, p.278.

Since Islamic banks provide distinct value compared to conventional banks, scholars believe their development holds great potential for the future. Some argue that the unique principles of Islamic banking serve as a moral alternative rooted in the preservation of justice, equity, and well-being. To ensure that all operations comply with sharia law and ethical standards, Islamic banks must establish a sharia board. These moral principles are intended to uphold the prohibition of gambling, uncertainty, and usury; this ethical framework aims to align financial transactions with real-world economic activity. (Al Hadi et al., 2021, p.18).

The professionalism of Islamic financial institutions to expand their market share and attract as many clients as possible is positively influenced by their already impressive growth. Given these implications, Islamic financial institutions need a solid marketing strategy. The application of Islamic law, which is highlighted to potential clients, makes the Islamic banking approach fascinating to observe. As a result, all Islamic financial institutions must compete to attract Muslim clients and become a focus. However, since they also hold a significant portion of the market, Islamic financial institutions shouldn't overlook potential non-Muslim clients. (Rahmayati, 2021, p.65).

In recent years, Islamic commercial banks have increasingly enhanced their profitability. The need for financial transactions free from usury is, of course, the primary reason for the rise of Islamic banks as a driving force behind economic expansion. Furthermore, the concept of profit-sharing is connected to the benefits that Islamic banks have over conventional banks. Because some scholars confuse interest with usury, which is prohibited in the Qur'an, profit-sharing is what enables Islamic banks to serve as an alternative to the interest-based system. Today, there has been a lengthy and intense discussion regarding the crucial question of whether bank interest equates to usury. (Suharli et al., 2021, p.278).

### **2.2.2. Emphasis on Economic Justice and Social Welfare**

Shared prosperity, Sustainable Development Goals, and environmental and participatory governance are just a few topics that have gained significant attention in the post-financial crisis discourse from various sources, including international development agencies. A key component of shared prosperity, as well as other similar goals, goes beyond economics and relates to the underlying social contract. Each society's practice of the social contract rests on a specific understanding of social welfare that aligns with the public policy decisions made in that community, which ultimately determine the likelihood of mutual prosperity and social harmony. Beyond practical attempts, the essence and structure of social welfare should be clarified to effectively communicate shared prosperity and sustainability issues on a solid foundation. (Asutay and Yilmaz, 2021, p.524).

To maximize value, Islamic marketing ethics require empathy for others, reflecting both God and nature. Demonstrating empathy can involve avoiding deals that harm others and steering clear of unethical marketing strategies. Among various illicit practices, gharar (uncertain information), maisir (gambling), and riba (bank interest) are the fundamental concepts that govern financial transactions in Islamic banking. Any of these actions could potentially harm one of the parties involved in the transaction. (Al Hadi et al., 2021, p.22).

Religions have consciously established economic systems in response to socioeconomic injustices and inequalities, and these systems prevailed for many years before the modern period. To address the shortcomings of the market economy,

the economic system formulated by the Islamic cognitive knowledge framework adopts the principles of a moral economy. Guided by its unique values and standards, the Islamic moral economy primarily relies on the tenets of the Qur'an and Sunnah to evaluate economic activities. By following these principles, individuals can attain *falah* (salvation) in this life as well as in the afterlife. Strengthening the *falah* process through *ihsani* (equilibrium-oriented kindness) social capital may be essential for developing an Islamic social welfare function, as *ihsan*, both as a characteristic and a mindset, serves as the foundation. (Asutay and Yilmaz, 2021, pp.525-526).

Sharia Commercial Banks (BUS) and Sharia People's Financing Banks (BPRS) are two types of Islamic banks that operate according to sharia principles, as outlined in Law Number 21 of 2008 governing Islamic banking. This legislation states that sharia principles are the tenets of Islamic law applicable to banking operations and are defined by fatwas issued by organizations authorized to make such determinations. The variety of financial transaction models present in Islamic banks complicates internal understanding and public education, thus increasing Islamic banks' market share in promoting banking products and services. (Rahmayati, 2021, p.65).

Income inequality can be reduced through Islamic financing. This is because Islamic finance, rooted in the Holy Quran and prophetic teachings, and governed by *Maqasid Shariah*, is designed to be more socially responsible, particularly toward the disadvantaged. Since the primary goal of *Shariah* is to preserve and protect essential needs, *Maqasid Shariah* encompasses a broad spectrum of human necessities. Without these essentials, life would likely be chaotic and thus meaningless. Given the advantages of Islamic banking, efforts to develop and enhance the Islamic banking sector have been ongoing for a considerable time. By offering *Shariah*-compliant financial services, Islamic financial institutions may decrease the chances of individuals being denied credit. (Mohamad et al, 2020, p.78).

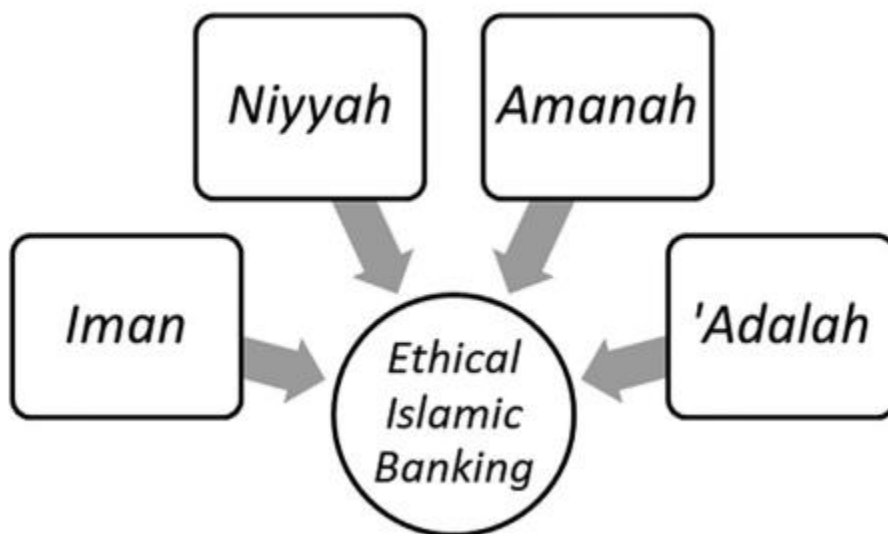
### **2.2.3. Ethical Foundations in Islamic Banking**

The term *al-Khuluq*, which is used to describe concepts such as *Khair*, *bir*, *qist*, *'adl*, *haqq*, and *taqwa*, is utilized in the Qur'an to explore ethics. *Al-Khuluq* is a linguistic expression that signifies character, temperament, or demeanor. In contrast, *al-khuluq*

refers to an action that needs to be repeated, according to terminology. Performing a good deed once or on rare occasions is inadequate. If an action is driven by internal motivation, emerges naturally, and is carried out without extensive thought or repeated deliberation, to the point where it feels like an obligation to act, then that person possesses morality. (Aravik et al., 2022, p.264).

The Quran and Sunnah govern the Islamic perspective on economic ethics. Since then, marketing and other Islamic practices have been founded on faith and spirituality. Islam does not separate spiritual and worldly matters. From a Western viewpoint, which is based on profit maximization, these two elements frequently conflict. In contrast, Islam places a strong emphasis on maximizing values. (Al Hadi et al., 2021, p.21).

Components of ethical Islamic banking are shown in the figure below.



**Figure 2.3: Components of Ethical Islamic Banking**

**Source:** Alwi et al., 2021, p.2.

The Muslim community is instructed by Islamic ethics to strictly adhere to standards and moral regulations in all areas of human life while defending their intentions, ideas, words, and actions. Islam also offers a unique ethical framework for economic operations that is founded on values and is examined in the teachings of Prophet Muhammad (Alwi et al., 2021, p.2).

Islamic banks are meant to be more sensitive to accomplishing social good than conventional banks, whose activities strive to assure shareholder profit maximization, based on the higher ethical objective (Maqāsid al-Sharī‘ah). This is because Maqāsid al-Sharī‘ah is a collection of Islamic morals and ethical principles that address all facets of life in order to fulfill Sharī‘ah's objective, which is to advance societal well-being for all people. Therefore, Maqāsid al-Sharī‘ah is a more comprehensive idea that extends beyond financial institutions' transactional ties (Alhammadi et al., 2022, pp.1171-1172).

### **2.3. Conventional Banking Ethics**

#### **2.3.1. Interest-Based Transactions and Ethical Concerns**

The Scholastics viewed banking as immoral during the Middle Ages. They believed that charging interest was a transgression against God, punishable by eternal damnation. The Scholastics held that economic activity should have a moral purpose, but they struggled to reconcile this with the practice of charging interest. In contrast to the medieval concept of a functional community, charging interest appears to exploit the desires of others. (Watkins, 2011, p.364).

Financial institutions have been crucial to the funding of business initiatives since the 1980s and the start of this century. This is mostly because of the advantageous economic environment and the administrative support provided to recently established businesses, which enables them to get funds for profitable ventures. The tendency has shifted back in favor of banks due to the current market turbulence. This phenomenon is not new, though (Paulet, 2011, p.294).

A specific market niche that had not yet been satisfied led to the establishment of ethical banks in the mid-1980s: individuals seeking to make sense of their money who had lost faith in the lofty goals of corporate social responsibility that lacked evidence. A new type of financial institution emerged, aiming not only to maximize shareholder value, because of the banking industry's ongoing concentration process and the major financial institutions' broad focus on the most profitable market segments. More specifically, examining how conventional and ethical banks handle certain banking procedures will enhance your understanding of their differences. (Paulet et al., 2015, p.201).

In the banking industry, ethics refers to moral and ethical relationships, although they are strongly tied to the legal standards that make up banking laws. A conflict of moral and ethical nature arises from certain violations of the law in its various components. Ethics in the banking sector is meant to identify the standards of behavior that avoid disruption of financial legislation (Fetiniuc and Luchian, 2014, p.92).

The public's trust in banks is directly linked to their operations and is significantly influenced by how responsibly their management and staff handle customers, compete, and collaborate. Honesty and fairness in fulfilling their duties, along with dependability, moral character, generosity, loyalty to the bank, transparency, and prioritizing the bank's interests over their own, are also crucial factors. Numerous models have been developed to explain how people make judgments and the variables that affect ethical standards (Jasevičienė, 2012, p.103).

### **2.3.2. Impact of Conventional Banking Practices on Consumer Ethics Perception**

In most economies, bankers have become the primary intermediaries between individuals with surplus cash and those who temporarily have a shortage—possibly because they need funds to grow their businesses—due to their role as custodians of other people's money. Banks function as both a bridge and a barrier between savers and borrowers. The financial intermediation provided by banks offers depositors benefits such as liquidity, risk diversification, and expertise in lending decisions. This arrangement severs the direct connection between depositors and specific borrowers. Large loans for industry can be funded through numerous relatively small investments thanks to the pooling of deposits (Cowton, 2002, p.394).

A set of guidelines and expectations for behavior for banking institutions and their employees is known as banking ethics. Stated differently, banking ethics is a specific type of economic ethics that encompasses the set of guidelines and moral standards that govern the behavior of banking personnel (business banking), both individually and collectively (Fetiniuc and Luchian, 2014, p.92).

Economics evolves because of ethics, but the two diverge when the economist begins to question whether science is appropriate for the economy. Like physics or the

experimental sciences in general, the objective of demonstrating this scientific nature tends to draw economics closer to other fields in pursuit of formal rigor (Carrasco, 2006, p.43).

If competition is inadequate, each bank will tend to utilize its market power to increase interest rates on loans and to cut those remunerating deposits. Therefore, a system's ability to produce large profits increases with its level of concentration. To put it briefly, growing does not always translate into more financial profits. The relationship between size and banking cost is the focus of the theoretical investigation (Paulet, 2011, p.295).

The laws governing banking ethics, which are emphasized as a distinct class, have long changed in tandem with the growth of financial activities, which eventually gave rise to banking. According to several experts, banking ethics is a type of professional ethics in the finance industry that coexists with universal moral principles and is distinguished by standards of conduct for its job (Fetiniuc and Luchian, 2014, p.92).

The fact that ethical banks typically abstain from doing significant investment banking activities in the financial market is one of their most distinctive characteristics that sets them apart from other banking establishments. As a result, ethical banks steer clear of complicated financial products that promise large returns but also carry a higher risk. They believe that this economic logic causes several global crises, social injustices, environmental issues, etc. In contrast to their conventional counterparts, ethical banks typically only engage in long-term, non-speculative activities and have minimal involvement in the stock market. However, they may occasionally store financial products until maturity to satisfy possible liquidity needs (Paulet et al., 2015, p.201).

As a result of the increasing sophistication of mathematical, statistical, and econometric approaches, economics has frequently become too isolated due to formalism. The way they arrange and control their cohabitation is reflected in the shape. To do this, communities establish a set of rules for behavior that are based on moral standards derived from the ethics of most people (Carrasco, 2006, p.43).

The ability of diverse banking institutions to obtain the data required to preserve their solvency is the basis of the primary contention. Because universal banks benefit from

economies of scale because of their size, the resulting costs are lower than those of specialized businesses (Paulet, 2011, p.295).

### **2.3.3 Ethical Considerations in Risk Management and Financial Products**

In a demand economy like the one of today, businesses must adapt to society's shifting moral and ethical standards, which are mirrored in the shifting preferences of people, which are reflected in their choices of products and services in the marketplace. At the same time, businesses' actions mirror the moral shifts in society and individuals. As a result, in certain industrialized nations, issues like environmental concerns—which typically result in higher managerial costs—are being assumed by society rather than because of legal requirements (Carrasco, 2006, p.47).

Professional bankers recognize the importance of honesty in building trust. Banking has historically been viewed as a business reliant on human integrity and mutual trust. For depositors, the personal attributes of their bank contact are not enough, even though personal integrity is a concern. Lending money to a friend or family member shows faith in that person, but depositing money with a bank reflects trust in an organization. One feature of modernity is the shift of trust from individuals to institutions. While the system or institution must be dependable, this does not diminish the significance of individual bankers' personal traits (Cowton, 2002, p.394).

Banks are largely to blame for the state of the economy, and they held asset-based securitization on their balance sheet, and they were fully aware of the type and magnitude of the ongoing exposure to their off-balance risk. As was covered in the preceding section, the proliferation of these new actors and goods has led to a rise in systemic risk and the global level of risk (Paulet, 2011, p.296).

The primary focus of ethical banks is on their core business, which is the distribution of credit and the gathering of savings. It is a return to banking's primary function. Therefore, the primary goal of ethical banks is to finance the real economy rather than engage in fictitious secondary financial markets. They provide local business owners they know well with loans that have been entrusted to them by savers and investors. By doing this, ethical banks can reduce the risks involved in a lot of the

creative ventures they fund. Additionally, ethical banks are not unwilling to invest and accept lesser amounts of financial collateral for deserving, sustainable initiatives that frequently yield narrow profit margins, unlike their conventional counterparts. More stringent monitoring programs guarantee that the money is being used for the intended purpose (Paulet et al., 2015, p.201).

The global financial crisis that impacted banking institutions and financial markets might then be attributed to this excessive disintermediation and the abundance of market liquidity. Financial advancements and real estate speculation allow banks to sell the rights to mortgage payments (Paulet, 2011, p.296).

The behavior of bank managers and employees with business representatives of the bank is governed by banking ethics. Its goal was to improve the public's perception of financial organizations by encouraging cooperation and preventing and resolving external disputes. According to actual theory, a bank is a customer-focused financial institution that is focused on continuously improving the quality of its goods and whose operations are supported by a significant investment in information technology (Fetiniuc and Luchian, 2014, p.93).

## **2.4. Prospect Theory**

### **2.4.1. Introduction to Prospect Theory**

A descriptive theory of how people make risky decisions is called prospect theory. In 1979, psychologists Kahneman and Tversky created the hypothesis. Prospect theory's huge impact on economics and other social sciences, as well as Kahneman and Tversky's work on heuristics and biases, contributed to Kahneman's 2002 Nobel Prize in Economics. Prospect theory questioned the conventional wisdom in economics that people make logical decisions, especially when it comes to maximizing expected utility. However, the use of prospect theory has extended beyond economics to a variety of disciplines, including public policy, political science, business, law, and medicine. The hypothesis has been crucial in helping to explain a wide range of real-world occurrences (Chiu and Wu, 2010, p.1).

Since its introduction by Kahneman and Tversky in 1979, prospect has emerged as a significant alternative to anticipated utility as a theory under assault. People evaluate

results in relation to deviations from a reference point rather than in relation to net; they give more weight to losses than to comparable gains; they are risk-acceptant when it comes to losses and gain-averse when it comes to gains; and it is important to frame a tentative confirmation by a number of strong and diverse experimental studies that are now widely acknowledged in the behavioral science literature, according to prospect theory (Levy, 1992, p.171).

Decision makers are not rational as required by anticipated utility theory, as demonstrated by Kahneman and Tversky. This point has been successfully made by the theory, in large part because it is composed of three components that complement one another and are appealing on their own. First, a series of elegant and intuitive empirical evidence that contradicted anticipated utility theory were developed by Kahneman and Tversky. Secondly, they put up a mathematical framework that could organize and explain these infractions. Lastly, they proposed a few psychological concepts that imply how individuals assess the options available to them (Chiu and Wu, 2010, p.2).

Prospect theory is an alternative theory of risky choice that aims to incorporate the observed violations of expected value. Prospect theory has an inductive background, in contrast to expected-utility theory, which is based on axiomatic principles. Experimental research in social psychology and experimental economics provides most of the evidence for anomalies in expected utility; nevertheless, field research in consumer economics, insurance, finance, and other disciplines has supported laboratory results (Levy, 2003, p.216).

One weakness shared by both first- and second-generation prospect theory is the assumption that the reference points used to evaluate prospects are certainties. These theories cannot be applied to situations where a decision maker is given a lottery and has the option to sell or swap it if reference points are understood as endowments or status quo positions. These kinds of issues are prevalent in actual economic life. As a result, a lot is known about how decision-makers react to them. They also appear in a lot of experimental designs. Two very strong and well-established patterns of departure from the predictions of conventional anticipated utility theory are demonstrated by this evidence (Schmidt et al., 2008, p.204).

#### **2.4.2. Decision Weights and Subjectivity in Financial Decision-Making**

Most of the theories can be viewed as expansions of the expected utility theory, which makes it the logical starting point for the study of rational choice models for people's decision-making in uncertain situations. Prior to the 1940s, this idea was the most widely utilized paradigm for explaining financial decision-making. At the heart of anticipated utility theory is a logical decision-maker who has a well-structured system of preferences, a thorough understanding of the environment, and superior technical abilities to choose the best options. But instead of optimizing, decision-makers satisfy. The satisficing principle proposes that people seek satisfactory solutions for a more realistic environment while eschewing optimal ones for a simplified one (Ladrón de Guevara Cortés et al., 2023, p.117).

Because it is founded on strong axioms regarding appropriate behavior, an expected utility maximizer is seen as rational. Expected utility theory predominated before prospect theory as the main explanation for how people make decisions when faced with risky options. Bernoulli first postulated it in 1738, and von Neumann and Morgenstern formalized it in 1947. A set of axioms, or fundamental requirements, that are both required and sufficient for predicted utility was put forth by von Neumann and Morgenstern (Chiu and Wu, 2010, p.1).

There is strong evidence of disparities in how people assess results above and below the reference point, which lends theoretical significance to reference reliance. First, compared to similar gains, people often overvalue losses. The endowment effect is closely linked to loss aversion; regardless of any long-term emotional relationship to the good, people tend to appreciate what they have more than similar items that they do not have. As a result, selling prices typically surpass buying prices by a factor of two to one or more, and people frequently decline to sell an item at a price at which they would not have thought to acquire it in the first place (Levy, 2003, p.216).

Research indicates that people tend to depart from the anticipated utility theory's predictions when making decisions that involve risk or uncertainty. Specifically, their preferences might be reference-dependent, meaning that rather than evaluating results based on absolute consumption levels, they consider gains or losses in relation to a reference point. It is possible to consider gains and losses asymmetrically, with losses being worth comparatively more than comparable gains. Non-linear

probabilities enter the value function. These observed actions are explained by prospect theory (Heutel, 2019, p.236).

It was shown by Kahneman and Tversky that buying lottery tickets is not a singular instance of risk-seeking behavior. They recorded what is now referred to as the fourfold pattern of risk attitudes. For most gains, people are risk averse, while for most losses, they are risk seeking. As was already mentioned, most people would prefer \$500 over a lottery where they had an equal chance of winning \$1000 or \$0. However, the same individual usually prefers an equal probability of losing \$1,000 or \$0 to losing \$500 without a doubt. However, when the odds are low, this trend changes. Decision-makers in this situation are risk-averse for losses and risk-seeking for rewards (Chiu and Wu, 2010, p.2).

## **2.5. Comparative Studies**

### **2.5.1. Identified Gaps in Existing Research**

Research on the ways in which religious convictions and cultural customs interact to shape how consumers view banking ethics is lacking. In the context of Prospect Theory, this is especially pertinent when contrasting Islamic banking clients with those of conventional banks. There is a need for a more thorough examination of how particular cultural and religious practices across various locations impact consumer ethics perceptions, even if the thesis briefly discusses the ethical issues of regular banking and introduces the fundamentals of Islamic banking. It would be beneficial, for example, to investigate the degree to which Islamic banking practices are accepted and seen as morally right in nations with a larger Muslim population as opposed to those without. This involves looking at how banking procedures are impacted by cultural interpretations of Shariah principles.

Although Prospect Theory and its effects on banking customer behavior are covered in the thesis, it is not examined how this theory interacts with cultural and religious beliefs to influence how consumers see ethics. There is a knowledge gap about the ways in which religion teachings on risk and finance impact Prospect Theory's core ideas of loss aversion and decision-making under uncertainty. For example, Islamic banking clients may refrain from paying interest (riba) in accordance with religious precepts, which may be a manifestation of loss aversion that is ingrained in their

beliefs. Their banking decisions may be impacted by this in ways that are essentially different from those of regular banking clients.

### **2.5.2. Articulation of the Research Questions and Objectives for the Current Study**

The study aims to compare the perception of customer ethics between Islamic and conventional banking customers, within the framework of Prospect Theory. It explores how financial decision-making is influenced by ethical considerations, cultural values, and religious beliefs. The research aims to highlight the differences in ethical perceptions and decision-making processes of customers in these two distinct banking systems. It provides insights into how concepts such as loss aversion and decision weights, which are central to Prospect Theory, influence customer behavior in financial contexts. By investigating the ethical judgments and behaviors of consumers faced with banking decisions, this study aims to uncover the underlying factors that guide customer preferences and loyalty towards Islamic versus conventional banking. It also aims to explore the impact of Islamic teachings on banking ethics and how these teachings influence the banking choices of Muslim consumers.

The study aims to contribute to the discussion on ethical banking practices by providing empirical evidence on how consumers rationalize their participation in either the conventional or Islamic banking system based on ethical considerations. The findings of this research are expected to offer valuable recommendations for banks and policymakers to enhance ethical standards in the banking industry, catering to the diverse expectations of consumers.

Through a comprehensive analysis of consumer ethics in the realm of Islamic and conventional banking, the research aims to foster a deeper understanding of the ethical dimensions that influence financial decision-making. This, in turn, can facilitate the development of banking services that align more closely with the ethical and cultural values of customers.

This endeavor not only contributes to the academic field of consumer ethics and banking but also holds significant implications for the practice of banking. It can

help banks to respect and integrate the varied ethical considerations of their customers.

### **2.5.3. Rationale for Examining Islamic Banking Customers' Ethics Perception**

The document highlights the significance of studying the ethical perception of Islamic banking customers in relation to financial decision-making theories like Prospect Theory, and the unique ethical considerations in Islamic banking. This intersection provides an excellent opportunity to examine how religious and ethical beliefs influence consumer behavior in the banking sector.

Prospect Theory, which was introduced by Kahneman and Tversky, suggests that when individuals make decisions under uncertain conditions, they are more influenced by the possibility of gains and losses rather than the outcome. This theory is particularly relevant to customers of Islamic banks, which follow Shariah principles that prohibit interest (Riba). The ethical dimension of Islamic banking, which is rooted in promoting fairness, social justice, and risk sharing, provides customers with an alternative framework for making financial decisions.

This presents a unique opportunity to explore how customers of Islamic banking perceive the ethics of banking. Their perceptions are shaped not just by financial considerations, but also by how banking practices align with their religious values and ethical beliefs.

Secondly, the document discusses the emergence of Islamic banking principles and products, emphasizing the ethical frameworks that underpin them. These principles, such as the prohibition of Riba, the avoidance of uncertainty (Gharar), and the focus on asset-based financing, reflect a commitment to ethical finance that directly influences consumer behavior. By investigating Islamic banking customers' ethical perceptions, we can gain insights into how religiously motivated ethical considerations influence their banking choices, loyalty, and satisfaction.

The study compares the ethical perceptions of customers of Islamic banking with those of conventional banking customers and explores the broader implications of ethical banking practices on consumer behavior. By analyzing how the ethical and religious foundations of Islamic banking distinguish it from conventional banking in the eyes of consumers, the study sheds light on the unique ethical dimensions that

Islamic banking brings to the financial sector. This comparison also helps to deepen my understanding of the role of ethics in financial decision-making processes. The study aims to examine how religiously guided ethical principles intersect with financial decision-making. By doing so within the framework of Prospect Theory, it provides valuable insights into how Islamic banking's commitment to ethical finance shapes consumer perceptions, behaviors, and choices in the banking sector. These insights will be useful for banks, policymakers, and scholars who are interested in ethical banking practices.



## CHAPTER III

### THEORETICAL FRAMEWORK

#### 3.1. Application of Prospect Theory in Consumer Ethics

##### 3.1.1. Emergence of ethical considerations in financial decision making

A financial services company's primary duties include lending money to people and businesses, protecting people's money, selling credit card-based services, offering brokerage services, advising organizations on financing and investment options, leasing, and other financial services. The foundation of the financial services industry is banks. Financial services organizations, including banks, brokerage houses, and insurance providers, are subject to ethical concerns. There have been instances where scammers have attempted to offer foolish investors phony securities. The following are recognized as unethical marketing techniques when working with individual clients (Boatright, 2007, pp 7).

- a. *Inaccurate and deceptive statements*: When attempting to promote a financial service, salespeople frequently leave out the compensation details.
- b. *Deception*: When crucial information is omitted, deception occurs. For instance, it may be considered dishonest to fail to disclose a setback regarding a particular investment tool.
- c. *Information concealment*: Salespeople are not required to provide all relevant details about a good or service. Every salesperson is required to tell the truth and not withhold any pertinent information.
- d. *Churning, appropriateness, and risk*: Employees in the financial sector represent clients. It is not appropriate for the firm to recommend that clients engage in many financial transactions to generate commissions or other revenue. The riskiness of the financial instrument should be disclosed to the client.
- e. *Product integrity*: Financial products ought to be honest and not intended to deceive consumers. It needs to be reasonably priced and offer good value.

Every professional practitioner that holds a license, registration, and certification has their own set of ethical and professional norms. Professional and ethical standards

are clearly defined and governed by federal, state, or local laws. Throughout their careers, financial counselors, financial coaches, financial planners, family therapists, life coaches, social workers, and others must abide by public and written ethical and professional standards. Each discipline nevertheless maintains its own unique set of ethical and professional standards, so even though there may be a lot of overlap, there are also differences. In the case of financial therapy, at least two or more disciplines must be integrated to some extent (Ross et al, 2016, p.19).

The financial industry prioritizes its own interests over those of its customers. These views were mirrored in a 2002 Harris Poll, which revealed that most participants thought greed and selfishness controlled the sector and that many on Wall Street would be prepared to break the law to increase their income. Furthermore, many respondents said that people on Wall Street were not as honest or moral as the public. Lastly, a sizable percentage of respondents said that Wall Street was only interested in making money, disregarding everything else (Boatright, 2007, pp 3).

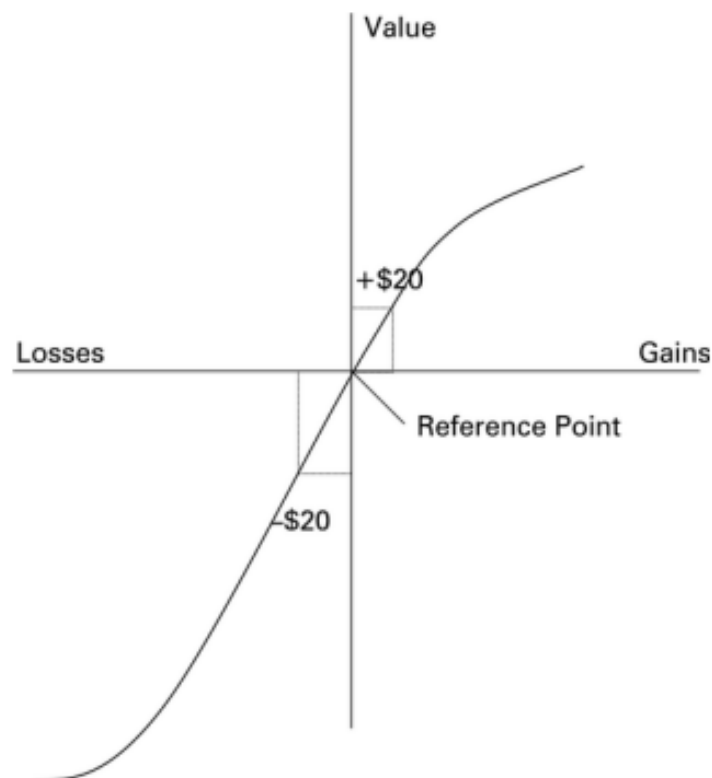
### **3.1.2. Application of Prospect Theory to Consumer Financial Decisions**

The idea of loss aversion is the foundation of prospect theory. The two primary tenets of prospect theory are also examples of loss aversion, as is the notion that decision makers place a higher value on losses than on comparable gains. According to the adage "a bird in the hand is worth two in the bush," decision makers perceive a risky gain as a possible loss, which is why the certainty effect for gains can be thought of as a direct result of loss aversion. It is possible to interpret the probabilistic effect of losses because of loss aversion, which states that people are reluctant to take any chances or clutch at straws to escape a seeming loss. It is implied that Tversky and Kahneman came up with the concept of loss aversion (Rossiter, 2019, p.400).

Prospect Theory, developed by Amos Tversky and Daniel Kahneman, suggests that people do not always make rational choices when faced with uncertainty. Unlike the conventional economic model, which assumes that individuals make decisions based on a logical evaluation of costs and benefits, Prospect Theory argues that people assess potential gains and losses relative to a reference point—typically their

accustomed level of income. Consequently, their current spending is influenced by this reference point rather than being solely determined by their lifetime income.

Additionally, the theory proposes that individuals categorize their financial resources into mental accounts, treating the money in these accounts as non-interchangeable. This means that rather than viewing money as a uniform resource, people may allocate and use it differently based on the mental account it is associated with. These insights provide a more nuanced understanding of decision-making under uncertainty and challenge the fundamental assumptions of traditional rational choice models in consumer behavior.



**Figure 3.1: Decision making according to losses and gains**

**Source:** Cochran, 2001, p.7.

In a proposed paradigm for using prospect theory in economics that they contend is both disciplined and adaptable to various situations. The framework is disciplined and adaptable to many situations. Although the framework contains several

components, the most crucial one is the notion that people use their expectations, or "beliefs... held in the recent past about outcomes," as the reference point when calculating gains and losses. They specifically suggest that people find usefulness in their predictions of outcomes (Barberis, 2013, p.179).

According to Thaler's research on mental accounting, people's reference point—rather than their lifetime income—has a major influence on their saving behavior. The study emphasizes that while wealthy families have longer budgeting horizons, poorer families typically function within shorter financial time frames. The research by Fisher and Montalto also highlights how different households have various saving horizons. Prospect Theory, which holds that people's decisions are significantly impacted by the perceived advantages and losses in relation to a certain reference point, is consistent with this phenomenon.

### **3.1.3. Prospect Theory's Explanatory Power for Irrational Decisions in Banking**

Researchers found that when Islamic banks perform below a goal level, they tend to adopt a more risk-loving strategy. Conversely, in a comparable performance environment, conventional banks encourage a more risk-averse approach. However, both study's banks behaved in a way that supported the Prospect Theory. A potent social behavioral principle known as prospect theory describes how people and businesses behave when they overestimate the benefits of courses of action (Trichilli et al., 2021).

According to a cognitive bias known as the framing effect, people's responses to the identical option vary according on how it is presented. When it comes to making moral decisions, this impact may make people more inclined to act unethically when they view a possible outcome as a loss rather than a gain. This implies that people might do more to prevent a loss—even if it meant acting unethically—than they would to seek a comparable gain.

Framing is a mental notion that a decision maker forms about the possible actions, outcomes, and contingencies associated with a particular option, according to Tversky and Kahneman. The way the problem is presented and the decision maker's own values, routines, and character attributes both influence their frame of reference (p 453). Changes in language or other situational contexts can have an impact on

framing. Individual traits may also have an impact, provided that the issues are comparable in terms of economic theory. According to Kuhberger's (1998) thorough definition, framing is an internal cognitive activity. Negatively worded situations frequently encourage risk-taking, whereas positively framed difficulties typically elicit risk aversion.

## **3.2. Hypotheses Development**

### **3.2.1. Recapitulation of Key Points Covered in the Literature Review**

The literature review offers a thorough examination of the development of banking and its moral implications. It highlights how important banks are to social welfare and economic growth. It examines how commercial and Islamic banking have developed historically, emphasizing the unique moral principles that underpin their activities. The conversation about commercial banks highlights how important they are to society because they provide lending, savings, and other financial services to all people equally. This section successfully prepares the reader for a more thorough investigation of the ethical frameworks influencing customer attitudes and actions in the banking industry.

The review also carefully examines the moral conundrums and difficulties that the financial services sector presents. It underlines the significance of ethics in financial decision-making and the moral dilemmas that frequently arise in dealings between clients and financial services providers, such as banks, brokerage houses, and insurance companies. Using a variety of ethical theories, including distributive justice, rights theory, and the notion of moral rights, the debate highlights the difficulty of making moral decisions in banking operations. In addition to improving the reader's understanding of the moral underpinnings of banking, this part emphasizes the close connection between moral principles and customer confidence in financial institutions.

A literature review that offers a thorough examination of Islamic banking procedures and ethical frameworks is described in the text that follows. The review emphasizes the promotion of investments that benefit society, the avoidance of uncertainty (gharar), and the prohibition of interest (riba). It discusses the basic Islamic teachings that inform these concepts and examines the spectrum of Islamic banking products

designed to conform with Shariah Law. The literature review stresses the function of Shariah boards in maintaining conformity with Islamic principles and global adherence to a single Islamic ethical framework. In doing so, it offers a thorough overview of the moral environment in which Islamic banks function. This approach provides a rich backdrop for a comparative study of customer ethics perceptions in Islamic and conventional banking.

### **3.2.2. Theoretical Framework Established for Understanding Consumer Ethics Perception in Banking**

A thorough grasp of how customers handle moral difficulties in the banking industry is the goal of the literature review on consumer ethics perception in banking. In addition to integrating behavioral finance theories, ethical decision-making models, and the distinctive ethical paradigms that set Islamic banking apart from conventional banking procedures, it investigates the many facets of consumer ethics. The objective is to develop a solid theoretical framework that enables a detailed comparison between Islamic and conventional banking clients in addition to explaining the elements impacting consumer ethics perception.

To comprehend how people make decisions in the face of risk and uncertainty, one must grasp the theoretical underpinnings of behavioral finance, especially prospect theory. The way that consumers behave when making financial decisions that could result in gains or losses is clarified by this idea. Islamic banking clients may give more weight to ethical and religious considerations than their conventional banking counterparts, suggesting that the theory's ideas of loss aversion and reference dependency have distinct effects on their ethical judgments. This discrepancy in the criteria used for making decisions is crucial because it implies that consumers' ethical views are greatly impacted by their risk tolerance and how financial consequences are framed. The literature emphasizes Prospect Theory's significant application to banking.

The framework looks at many ethical decision-making models, which are based on ideas that describe the mental processes involved in assessing moral quandaries. These models concentrate on the specific elements that influence customers' ethical perceptions and actions in banking situations, such as moral philosophy and ethical

sensitivity. The literature review clarifies the intricate relationship between individual values, cultural norms, and the ethical standards established by financial organizations by integrating these models. This offers a foundation for comparing the ethical orientations of Islamic and conventional banking clients and is especially pertinent to comprehending how customers match their financial decisions with their ethical convictions.

Understanding the ethical issues that impact Islamic banking clients differently from typical banking clients requires an examination of adherence to ethical principles. The framework offers a thorough grasp of how Islamic banks meet the ethical standards of their clients, fostering client loyalty and trust by highlighting the moral justifications for Islamic banking activities.

The goal of the theoretical framework presented in this study is to compare the ethical attitudes of Islamic and conventional banking clients. This comparison is based on the assumption that there may be variations and parallels in how customers from these banking sectors view and respond to ethical issues, drawing on the ideas and models discussed earlier. The comparative method allows for a critical evaluation of how banking practices influence consumers' ethical perceptions, shedding light on the broader implications for financial institutions and regulators working to improve banking ethics standards.

A variety of perspectives is provided by the developed theoretical framework for comprehending the perception of consumer ethics in banking. It combines the different ethical frameworks of Islamic and conventional banking, behavioral finance, and ethical decision-making models. The literature analysis offers a strong basis for examining how ethical considerations impact customer behavior in the banking industry thanks to its thorough synthesis. This opens the door for empirical studies that may provide insightful information about how to promote moral banking practices that align with the beliefs and expectations of customers.

### **3.2.3. Transition to the Methodology Section and The Study's Empirical Contribution**

An empirical investigation of these ideas has resulted from the prior comprehensive theoretical study on the perception of consumer ethics in banking. To provide a

concrete analysis of how customers' ethical beliefs and choices appear in the context of Islamic versus conventional banking, the study attempts to operationalize the notions previously described. To do this, the methodology section describes the research design, including the participant selection criteria, data collection strategies, and analytical approaches used to evaluate the data. This strategy aims to guarantee a thorough and methodical research that can provide empirical support for or refute the theoretical claims.

The study's methodology entails examining and contrasting the experiences, viewpoints, and actions of clients in conventional and Islamic banking. Surveys, interviews, or observational studies are used for this. The theoretical framework, which implies that various groups have different ethical considerations and decision-making processes, informs the approach choice. The study employs a quantitative methodology to collect many viewpoints and subtle insights to better comprehend banking consumer ethics.

Through a thorough analysis of the variables influencing consumers' perceptions of ethics in two different banking models, this study significantly advances the empirical literature. By evaluating theoretical frameworks, the study not only validates the applicability of ethical decision-making models and behavioral finance theories in the banking industry, but it also clarifies the ethical aspects that set Islamic banking apart from its conventional equivalent. By offering empirical data on the interaction between religious beliefs, cultural norms, and ethical banking practices, this addition is significant because it aims to expand the body of knowledge already available on consumer ethics in banking.

The goal of the study is to give policymakers, regulatory agencies, and banking institutions practical information. The study determines the moral qualities that influence customer preference and loyalty to Islamic or conventional banks through an empirical analysis. Strategies for raising moral standards and transparency in banking operations can be developed using this information. It is anticipated that this would result in the development of banking services that are not only morally and financially sound but also in line with the values of customers and societal norms.

In conclusion, the methodology section bridges the gap between theoretical discussion and practical research, marking a crucial point in the thesis. The empirical

contribution of the study is expected to provide a deeper understanding of how consumers perceive ethics in banking, illuminating the moral factors that influence customer loyalty and choice in both the conventional and Islamic banking industries. By using this empirical lens, the study hopes to add to the current ethical banking discussion by offering evidence-based suggestions for creating an ethical banking environment that aligns with the moral and financial goals of customers.

#### **3.2.4. Statement of Research Hypothesis**

This study aims to explore the differences in customer ethical perceptions between Islamic and conventional banking sectors. The research will be conducted using quantitative investigation and will draw from the existing literature review to guide the development of hypotheses. The goal is to advance the scholarly understanding of consumer ethics perception within the banking sector.

**Hypothesis:** There is a significant difference in ethical perceptions between customers of Islamic banking and customers of conventional banking. This hypothesis is based on the distinct ethical frameworks that govern Islamic banking, which are grounded in Shariah principles that emphasize fairness, transparency, and the prohibition of interest (Riba). These principles can potentially foster more favorable ethical perceptions among customers compared to those associated with conventional banking institutions. Sub hypotheses were given as below:

H1: Risk perceiving of Islamic bank and conventional bank customers show statistically significant differences.

H2: Ethical behavior of Islamic bank and conventional bank customers show statistically significant differences.

H2a: Passively benefitting dimension of ethical behavior of Islamic bank and conventional bank customers show statistically significant differences.

H2b: Actively benefitting dimension of ethical behavior of Islamic bank and conventional bank customers show statistically significant differences.

H2c: Deceptive legal practices dimension of ethical behavior of Islamic bank and conventional bank customers show statistically significant differences.

H3: There is a statistically significant relationship between risk perceiving and ethical behavior of Islamic banking customers.

H4: There is a statistically significant relationship between risk perceiving and ethical behavior of conventional banking customers.

H5: There is a significant effect of risk perceiving on deceptive legal practices in Islamic banking customers.

H6: There is a significant effect of risk perceiving on deceptive legal practices in conventional banking customers.



## CHAPTER IV

### RESEARCH METHODOLOGY

#### 4.1. Research Design

This study employs a quantitative research approach to investigate the differences and similarities in ethical perception of consumers between Islamic and conventional banking customers systematically. The collection and analysis of numerical data characterize quantitative research, which is chosen for its strength in providing objective measurements and revealing patterns in research data. This research approach is particularly suitable for comparing groups, testing a hypothesis, and establishing relationships between variables, making it an ideal methodological choice for achieving this study's objectives.

The structure of consumer ethics perceptions among Islamic and conventional banking customers was evaluated by conducting a factor analysis of the Muncy-Vitell Consumer Ethics Scale. The aim of this analysis was to identify the underlying dimensions that best represent ethical considerations in these banking contexts.

The quantitative approach helps turn theoretical concepts into measurable variables, making it easier to study how consumers' ethical perceptions affect their banking choices and decisions in a structured way. The study aims to use statistical analysis to measure the impact of various factors, such as religious principles, ethical considerations, and cultural norms, on consumer behavior in the banking sector. This method is crucial in achieving the study's goal of drawing generalizable conclusions about the ethical perceptions of banking customers on a wider scale.

The rationale for selecting a quantitative approach stems from several key considerations that align with the study's goals and research questions.

1. Empirical Validation: The main goal of the study is to test the theoretical framework that has been established through the literature review. To achieve this goal, a quantitative approach will be used. This approach will enable the empirical validation of the hypotheses that have been derived from the theoretical exploration. By doing so, the study will provide a strong foundation for either confirming or challenging existing theories.

2. Comparative Analysis: The main goal of this study is to compare the perception of consumer ethics among customers of Islamic banking and conventional banking. Quantitative methods are highly effective in comparative studies because they allow the use of control variables to isolate the impact of banking type on ethical perception. This ensures that any differences can be confidently attributed to the banking model rather than other external factors.

3. Generalizability: Utilizing a quantitative approach in research can improve the generalizability of the study's findings. By conducting a structured survey or questionnaire that covers a large sample of banking customers, the study can produce results that are representative of the wider population. This is essential for providing actionable insights to banking institutions and policymakers who aim to address customer's ethical concerns.

4. Statistical Rigor: Quantitative research is a rigorous method used to analyze complex relationships between variables. Statistical techniques, such as regression analysis, can be used to evaluate the strength and direction of the relationship between consumers' ethical perceptions and their banking choices. This offers a nuanced understanding of these dynamics.

5. Clarity and Precision: The quantitative approach is useful in measuring variables with clarity and precision. By quantifying the ethical perceptions of consumers, the study can accurately evaluate the differences or similarities between Islamic and conventional banking customers. This provides stakeholders in the banking sector with clear and actionable data.

This study aims to compare ethical perceptions between different types of banking and explore how Prospect Theory can help understand differences in consumer behavior and decision-making in financial settings. To achieve this goal, the researchers have employed a cross-sectional survey design, which includes elements specifically targeted at evaluating responses to scenarios informed by Prospect Theory.

**Survey Instrumentation:** A structured questionnaire will be used to collect data and will cover various dimensions such as ethical perceptions towards banking practices, awareness of Islamic and conventional banking principles, loyalty behaviors, and responses to hypothetical scenarios. These scenarios are designed based on Prospect

Theory and will present participants with financial choices involving risk and uncertainty. The aim is to measure their loss aversions, decision weights, and the framing effect as posited by Prospect Theory. By analyzing the responses to these scenarios, we aim to understand how these behavioral economics principles might differently influence ethical banking perceptions among Islamic and conventional banking customers.

**Integration of Prospect Theory:** To incorporate Prospect Theory effectively into the study, the questionnaire will contain sections that directly engage with the theory's crucial concepts. Participants with financial dilemmas and choices that simulate actual banking decisions will be presented. These scenarios will be framed in such a way as to elicit their inherent risk preferences and how they value gains versus losses. This approach will enable the study to conduct a detailed analysis of how ethical perceptions are potentially influenced by the psychological biases and heuristics identified by Prospect Theory. This method will provide a nuanced understanding of consumer behavior in banking.

**Sampling Method and Population:** To obtain a balanced representation of both the Islamic and conventional banking sectors, stratified random sampling will be used. The main objective is to select a diverse sample that can provide a range of insights into how consumers apply the principles of Prospect Theory in their ethical evaluations of banking practices. Particular attention to this aspect of the selection process will be paid.

**Data collection procedure:** The survey will be distributed online to reach a broad participant base efficiently. It includes Prospect Theory-based scenarios, and it's crucial to test the questionnaire's pilot phase to ensure that these sections are easily understandable and prompt meaningful responses from the participants. Feedback from the pilot study will inform any necessary adjustments to the scenarios or the framing of questions to capture the essence of decision-making under uncertainty better.

**Data Analysis Plan:** Statistical analyses will be conducted to examine the main research questions. Furthermore, Prospect Theory-informed scenarios responses will undergo a separate analysis to detect patterns in decision-making that could impact ethical perceptions. Techniques like logistic regression might be deployed to assess

how variables related to Prospect Theory, such as loss aversion and decision framing, predict ethical perceptions and banking preferences.

**Ethical considerations:** The study will follow strict ethical standards, including informed consent, anonymity, and confidentiality for all participants. Special care will be taken to present Prospect Theory scenarios in a way that avoids any potential distress or misunderstanding.

#### **4.1.1. Suitability of the Research Design**

The research design chosen for the study is both methodologically sound and well-suited to address the intricate factors that influence consumer ethics in banking. This section clearly explains the reasoning behind the selected design, emphasizing its suitability for achieving the study's objectives.

**Alignment with Study Objectives:** The main goal of this research is to determine the ethical perceptions of customers of Islamic and conventional banks. The study will incorporate the insights provided by Prospect Theory to identify differences and similarities in their behavior. To achieve this, a cross-sectional survey design enriched with scenarios based on Prospect Theory will be used. This approach will allow for a direct comparison between the two types of banks and an examination of decision-making processes under risk and uncertainty, as conceptualized by Prospect Theory.

**Quantitative Approach:** The quantitative approach taken in this study is highly advantageous for several reasons. Firstly, it enables us to objectively measure consumer perceptions and behaviors, producing clear, quantifiable data that can be analyzed statistically. Secondly, it allows us to methodically and systematically test hypotheses that are derived from my theoretical framework. Finally, the use of a structured questionnaire means that data collection is consistent across all participants, thereby enhancing the reliability and validity of my findings.

**Incorporation of Prospect Theory:** The research design questionnaire incorporates unique Prospect Theory scenarios, which serve as a highly effective method of capturing the nuances of risk evaluation and decision-making in the banking industry. The study presents hypothetical banking dilemmas to respondents, mirroring real-life financial decisions and enabling direct observation of Prospect

Theory principles such as loss aversion and framing effect in consumer banking behavior. The innovative integration of behavioral economics into the study of banking ethics showcases the design's appropriateness.

**Stratified random sampling:** In the realm of banking research, stratified random sampling stands as a critical tool to secure a representative sample of the larger customer population. It bears particular significance in accounting for both Islamic and conventional banking sectors. Using this method, we can draw more comprehensive conclusions and compare ethical outlooks between these two categories of banking. Additionally, it ensures that any variations noted can be reliably attributed to banking type, rather than other demographic factors.

**Comprehensive Data Analysis:** The statistical analyses planned for this study, such as descriptive statistics, t-tests, ANOVA, regression analysis, and structural equation modelling, are well-suited to achieving the study's goals. These techniques will yield valuable insights into the relationships between variables, the influence of banking type on ethical perceptions, and the role of cultural and religious beliefs as moderating factors. The selection of these analysis methods reflects a thoughtful approach that considers the study's hypotheses and the characteristics of the data collected.

**Ethical Rigor:** The design of the study gives significant importance to ethical considerations such as obtaining informed consent and ensuring the confidentiality of participant responses. This emphasis on ethical rigor is particularly pertinent due to the sensitive nature of discussing financial behaviors and ethical judgments.

#### **4.1.2. Description of the Target Population**

The study aimed to explore the differential impacts of banking type on consumer ethics perceptions and decision-making behaviors influenced by Prospect Theory. To achieve this, the study targeted a diverse group of banking customers segmented into two primary categories: those who utilized Islamic banking services and those who engaged with conventional banking institutions. The target population's characteristics and justifications for their selection are described below.

**Islamic Banking customers:** The subgroup being studied comprises of individuals who actively use Islamic banking products and services. Islamic banking customers

are those who choose to engage with banks that operate in accordance with Shariah law, avoiding interest (Riba) and investing in halal industries. This group is particularly relevant to the study due to the unique ethical framework that governs Islamic banking, which potentially influences customer perceptions and behaviors in distinct ways compared to conventional banking practices. Including Islamic banking customers allows for an exploration of how adherence to Shariah principles affects consumer ethics perceptions and aligns with Prospect Theory's predictions about decision making under uncertainty.

**Conventional Banking Customers:** This group of individuals maintains banking relationships with institutions that adhere to conventional financial principles, such as levying interest on loans and credit facilities. They are distinct from the Islamic banking clientele and can be used as a reference point to evaluate disparities in ethical attitudes and the impact of Prospect Theory dynamics. Incorporating customers of conventional banks enables the study to encompass a wide range of consumer ethical viewpoints and supports a thorough comparative assessment.

**Demographic and Geographic Considerations:** The study aims to cover a broad range of consumers from different demographics, including various age groups, genders, income levels, educational backgrounds, and geographical locations. This diverse representation ensures that the findings are inclusive and reflect the views of a wide range of consumers who are involved with the banking sector. The study is especially focused on geographical factors since the prevalence and regulatory frameworks of Islamic banking differ significantly across regions. These variations are likely to affect consumer perceptions and preferences, and the study aims to take them into account.

**Rationale for Target Population:** The purpose of this study is to analyze the ethical attitudes of consumers towards Islamic and conventional banking platforms, using the framework of Prospect Theory to draw comparisons. The study has carefully selected a target population that will allow researchers to investigate how different banking models, and their associated ethical and operational principles, impact consumer decision-making and ethical evaluations. Furthermore, the diversity within the target population will provide valuable insights into how demographic and geographic factors may interact with banking type to influence consumer perceptions of ethic.

#### **4.1.3. Criteria for Sample Selection**

The integrity and relevance of the research findings in the study are contingent upon the careful selection of the study sample. To this end, specific criteria have been established for sample selection, aimed at accurately reflecting the target population and ensuring that the comparative analysis yields meaningful insights. These criteria are designed to identify individuals whose banking behaviors, experiences, and perceptions can informatively contribute to the study's objectives.

**Banking relationship:** The main requirement for being included in the sample is to have an active banking relationship with either an Islamic or a conventional banking institution. Islamic banking customers who have chosen Islamic banks for their financial services due to the banks' adherence to Shariah principles are included. Conventional banking customers who use the services of banks operating on conventional financial models are also included. This distinction ensures that the study captures the unique ethical perceptions that may arise from the operational differences between the two banking types.

**Age and Legal Competency:** Participants must be of legal age (18 years or older) to ensure they have the capacity to provide informed consent and possess personal experiences with banking services. This age criterion also reflects the assumption that participants have engaged in enough financial transactions to form informed perceptions about banking ethics.

**Geographic Diversity:** The study intends to include participants from various geographic regions, with particular attention given to areas where both Islamic and conventional banking services are accessible to consumers. This criterion is designed to investigate potential regional influences on ethical perceptions and to increase the applicability of the study's findings across various banking markets.

**Experience with Banking Services:** To ensure that individuals provide thoughtful and insightful responses related to ethical perceptions, participants must have engaged with their banking institution for a minimum duration. This criterion aims to exclude those who have had only fleeting or superficial interactions with their banks and may not possess in-depth knowledge of banking practices, policies, and ethical standards.

Exclusion Criteria:

**Sampling Technique:** The study will use a stratified random sampling technique to categorize the population into strata based on the type of banking relationship (Islamic vs conventional). After that, participants will be randomly selected from each stratum. This approach ensures that the sample is representative of the broader population of banking customers, which will make it possible to conduct a balanced comparative analysis across banking types.

#### 4.1.4. Sample Size

In determining the appropriate sample size for the study, several factors are considered. These include ensuring statistical power, the complexity of the research design, and practical constraints associated with survey-based research.

Since the study is comparative in nature and aims to detect potentially subtle differences in consumer ethics perceptions between the two banking groups, the sample size calculation is based on achieving sufficient statistical power for effective testing of the study's hypotheses.

**Statistical Power Considerations:** A preliminary power analysis was conducted to ensure that the study has at least 80% power to detect meaningful differences between groups at a significance level of 0.05. This analysis considered the expected effect size based on similar studies in the literature and the variability inherent in survey responses related to ethical perceptions and banking behaviors. According to the power analysis, a minimum sample size of 419 people is required.

**Adjustments for Comparative Analysis:** The purpose of this study is to perform a thorough comparative analysis between customers of Islamic and conventional banking methods. To ensure that the findings are statistically valid, the sample size must be able to accommodate subgroup analyses. To account for potential dropout rates and non-response, an additional margin of 20% has been added to the initial estimates. This has resulted in a revised sample size of 419.

**Stratification and Representativeness:** To ensure that the study's findings can be applied to a wider population of Islamic and conventional banking customers, it is important to consider the diversity of the target population's geography and

demographics. Therefore, the sample size calculation incorporates a stratification approach, which guarantees that the sample is not only large enough but also representative of the broader population. This enhances the generalizability of the study's conclusions.

**Final Sample Size Determination:** Following thorough analysis, the study has concluded that a total of 419 participants is the optimal sample size. The allocation will be divided equally between 244 Islamic banking customers and 175 conventional banking customers. This size is considered adequate to investigate the subtle differences in consumer ethics perceptions within each group. Moreover, it enables us to conduct a comprehensive comparative analysis informed by the principles of Prospect Theory.

**Practical Feasibility:** Practical considerations such as survey distribution, expected response rates, and available resources have been considered in determining the sample size for this study. The selected sample size balances the statistical requirements with the practicalities of conducting survey-based research, ensuring that the study is both rigorous and feasible.

## **4.2. Data Collection**

### **4.2.1. The Way of Data Collection**

To examine the differences in perceptions between Islamic banking and conventional banking customers using Prospect Theory as a framework, structured surveys will be utilized as the primary mode of data collection. The survey was integrating two main.

**Types of measurement tools:** The Muncy and Vitell Consumer Ethics Scale, and specially designed scenarios based on Prospect Theory. This approach has been selected for its capacity to reach a wide range of participants in an efficient manner, its capacity to ensure consistency in data collection, and its ability to extract detailed information on participants' attitudes and actions. The following provides a comprehensive overview of the approach and various factors to be considered during the survey data collection process.

**Survey Design:** The survey has been thoughtfully crafted to ensure clarity, relevance, and engagement for all participants. It has been divided into several

sections that gradually cover general banking behaviors, ethical perceptions, specific reactions to Prospect Theory-based scenarios, and demographic information. Most of the questions will be closed-ended, utilizing Likert scale, multiple choice, and ranking formats. This approach will enable easy analysis while minimizing respondent burden. Open-ended questions will be included selectively to provide nuanced insights where required.

**Pre-Testing and Pilot Study:** Prior to wide-scale distribution, the survey will undergo a comprehensive pre-testing phase with a select group within the target population. This pilot study serves to examine the survey's clarity, length, and technical functionality, guaranteeing that questions are properly comprehended, and the survey platform performs seamlessly across various devices. Feedback gathered from the pilot study will inform any necessary modifications to the survey's design and administration approach.

**Distribution Strategy:** The survey will be distributed via electronic means, utilizing online platforms and social media channels to effectively reach potential participants. This approach presents a cost-effective and expansive method for gathering data. Distribution channels that are favored by the target demographic, with the aim of achieving a high response rate will be selected. Participation is voluntary, and no incentives will be provided to alleviate any potential bias.

**Ensuring Anonymity and Ethical Compliance:** To uphold highest ethical standards, the survey will be designed and administered in a manner that guarantees the anonymity and confidentiality of the respondents. No personally identifiable information will be collected, and participants will be informed about the purpose of the study, its voluntary nature, and how their data will be used before the survey begins.

**Data Collection Timeline:** The data collection phase is scheduled to take place within a specific timeframe to ensure that a wide range of participants have ample opportunity to respond. To encourage participation and increase response rates, reminders will be sent through the selected distribution channels. The timeline will be monitored to ensure that enough data is obtained for a comprehensive analysis.

**Technical Considerations:** The survey will be conducted online through a secure platform, accessible on multiple devices. Technical support will be available for any issues, ensuring a seamless experience.

**Data Management and Quality Control:** Survey responses will be stored with strict access controls. Data quality checks will be performed to identify any inconsistencies or incomplete responses, ensuring a reliable dataset for analysis.

### **4.3. Survey Instrument**

The Muncy-Vitell Consumer Ethics Scale was originally designed to measure ethical perceptions using a four-dimensional structure. However, it has been adapted in different cultural contexts and research settings. Studies suggest that the original structure of the scale may not effectively capture the complexities of consumer ethics across various populations and environments.

Several studies have examined the factor structure of the Muncy-Vitell scale and have occasionally found a three-dimensional or two-dimensional structure to be more appropriate. For instance, in a study by Oya and Saray (2017), the scale was modified to a two-dimensional format to better align with the specific ethical behaviors prevalent in university student environments. Their findings indicated that consumer ethics in related contexts could be distinctly categorized into two broad areas: active deception and no foul/no harm activities.

A study by Schneider, Krieger and Bayraktar (2011) did not include the survey of the last-mentioned dimension because there may be challenges in implementing it in non-Western countries. Referring to Hofstede's cultural dimensions, Germany is considered rather individualistic, while Turkey is considered rather collectivistic (Pasa et al., 2001). Individuals from individualistic cultures are more likely to question ethical norms and values of their society, whereas individuals from collectivistic cultures adopt them (Vitell et al., 1993). Based on the text, it suggests that in societies where the collective is valued over the individual, actions that are deemed legal and accepted by the majority are not seen as unethical. This means that behaviors that are in line with societal approval are not considered unethical by members of collectivist societies. As a result of this understanding, the researchers

chose not to include a survey on the "active benefiting/legal" dimension in their study.

The findings from these studies are especially pertinent to current research as they emphasize the flexibility and contextual sensitivity of the Muncy-Vitell scale. When comparing Islamic and conventional banking customers, a three-dimensional approach may provide a clearer insight into the specific ethical frameworks guiding consumer behavior in these distinct banking sectors. The adaptation reflects the empirical evidence and a strategic methodological choice to enhance the relevance and precision of ethical measurement in the study.

It is crucial to ensure the reliability and validity of the questionnaire used in the study to maintain the integrity of the research findings. These psychometric properties are essential to ensure that the instrument accurately measures the intended constructs and does so consistently. This section outlines the steps taken to confirm the reliability and validity of the questionnaire.

#### Reliability

Assessing the consistency of the questionnaire over time and under varying conditions is referred to as reliability. In this research, reliability will be evaluated using the following methods:

1. Pilot Testing: Prior to the widespread distribution of the questionnaire, a pilot test is carried out using a sample of individuals who are representative of the target population. The purpose of this test is to detect any inconsistencies in responses and to refine the questions to improve their clarity and comprehension.
2. Internal Consistency: To assess how reliable the questionnaire is, Cronbach's alpha coefficient for scales that measure different concepts, such as ethical beliefs and responses to Prospect Theory situations is calculated. A satisfactory value for Cronbach's alpha is 0.70 or higher, which indicates that the questions within each scale are measuring the same underlying concept.
3. Test-Retest Method: Although it may be difficult to execute, a test-retest method can be utilized on a portion of the sample. This involves administering the questionnaire twice to the participants under comparable conditions, after a certain period has passed. The correlation coefficients between the two sets of responses can then be evaluated to determine the instrument's consistency over time.

## Validity

Validity refers to the extent that a questionnaire measures what it is intended to measure, and there are various methods used to ensure its validity.

1. Content validity: The questionnaire used in this study is well-designed and covers all relevant aspects of the constructs being measured. Experts who are familiar with consumer ethics in banking and Prospect Theory have reviewed it to ensure its quality. They evaluated each item for its relevance and representativeness of the theoretical concepts being investigated.

2. Construct Validity: To confirm the accuracy of a questionnaire, researchers conduct exploratory and confirmatory factor analyses on the collected data. These analyses help to ensure that the questionnaire items are grouped in a way that aligns with the theoretical framework, indicating that the instrument accurately measures the intended constructs. This process is known as ascertaining construct validity.

3. Criterion Validity: Criterion validity is often evaluated by establishing a correlation between questionnaire responses and external criteria that are recognized indicators of the constructs being measured. These external criteria may include actual banking behaviors or documented instances of ethical banking decision-making. By demonstrating the practical implications of the questionnaire findings, this type of validity provides evidence of the usefulness of the questionnaire.

4. Face Validity: During the pilot testing phase of a questionnaire, participants provide feedback on the relevance and appropriateness of the questionnaire items to the constructs of interest. This process, known as face validity, ensures that the items are logically connected to the constructs they intend to measure from the perspective of the respondents. This step is subjective in nature but helps ensure that the questionnaire items are appropriate and relevant to the research.

The study relies heavily on the questionnaire as its primary data collection tool. The questionnaire has been thoughtfully crafted to ensure that the information gathered is both precise and meaningful, with a focus on understanding the ethical perceptions of banking customers, their responses to Prospect Theory scenarios, and relevant

demographic data. Below, a comprehensive breakdown of the questionnaire's design and how it supports the study's objectives is detailed.

**Questionnaire Structure:** The questionnaire is divided into multiple sections, each targeting specific aspects of the study. The first section collects basic demographic information such as age, gender, income level, and education, which will help in analyzing how these variables might influence ethical perceptions. The main body of the questionnaire is divided into two parts: one focusing on general ethical perceptions related to banking practices, and the other presenting specific scenarios based on Prospect Theory to understand how respondents make decisions.

**Content and Question Types:** The survey has been thoughtfully crafted to gather diverse perspectives on banking ethics and how people would approach hypothetical financial scenarios. To gauge the strength of respondents' ethical convictions and their level of agreement with statements related to banking practices, the survey employs Likert scale items. Multiple-choice questions are utilized to classify respondents' banking preferences and behaviors. Additionally, scenario-based questions rooted in Prospect Theory principles, such as loss aversion and risk-taking during uncertain conditions, are also included. By utilizing a blend of multiple-choice and scale-based responses, the survey aims to capture the intricacies of decision-making patterns.

**Development of Prospect Theory Scenarios:** Scenarios reflecting Prospect Theory's concepts are developed to understand how respondents evaluate risks and rewards in banking contexts. These scenarios present respondents with situations involving financial decisions, asking them to choose between options that reflect varying levels of risk, uncertainty, and potential outcomes. This innovative approach enables the examination of ethical perceptions through the lens of behavioral economics, providing insights into the psychological underpinnings of banking decisions.

**Validity and Reliability Measures:** To make sure that the questionnaire is accurate, questions are developed using established scales and theories found in relevant literature. These questions are then modified to fit the banking context and the specific focus of the study. To ensure reliability, a pilot testing phase is conducted, where the questionnaire is given to a small sample of the target population. Feedback

from this phase is used to refine the questions, eliminate any ambiguities, and improve the overall reliability of the questionnaire.

**Ethical Considerations and Anonymity:** The questionnaire includes an introduction that outlines the study’s purpose, the anonymity of responses, and the voluntary nature of participation. This ensures informed consent and addresses ethical concerns.

**Administration and Accessibility:** The questionnaire has been specifically designed to be administered online, taking into consideration the ease of distribution and completion. It has been optimized for accessibility across various devices and platforms, ensuring that individuals from different backgrounds and technical abilities can participate without any difficulty. The online format allows for a wider reach, enabling a more diverse respondent pool to participate in the survey. The questionnaire has been created with attention to detail, ensuring that it is user-friendly and easy to understand. Additionally, the online format allows for quick and efficient data collection, reducing the time and effort required for manual data entry.

Factor Analysis results of Principal Components Analysis conducted for ethical perception scale items were given in the Table 4.1.

**Table 4.1: Factor Analysis Results of Principal Components Analysis Conducted for Ethical Perception Scale Item**

	Component		
	1	2	3
Q24	<b>,836</b>	,081	,096
Q23	<b>,752</b>	,127	-,012
Q15	<b>,702</b>	,105	,226
Q16	<b>,701</b>	,246	,186
Q11	<b>,538</b>	,259	-,030
Q25	<b>,421</b>	,418	,040
Q13	,089	<b>,686</b>	,005
Q19	,043	<b>,625</b>	-,168
Q17	,331	<b>,615</b>	,122
Q12	,072	<b>,592</b>	,080

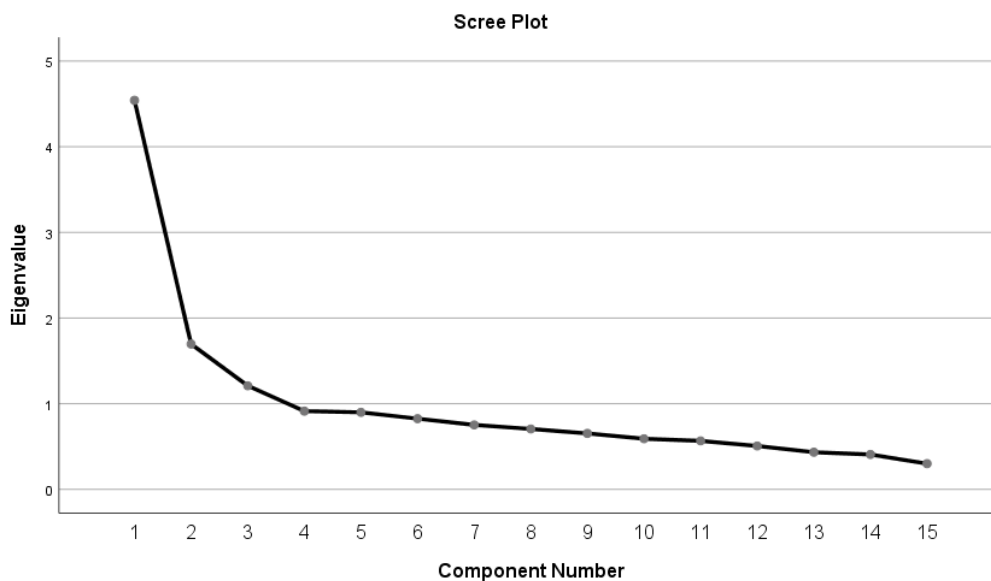
Q14	,450	<b>,572</b>	,042
Q18	,318	<b>,488</b>	,131
Q20	,120	-,148	<b>,732</b>
Q21	-,031	,086	<b>,728</b>
Q22	,198	,132	<b>,691</b>

KMO: 0.851; Barlett's  $X^2$ : 1620.346;  $p < 0.05$ , Total Variance explained: 49.65

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.a. Rotation converged in 5 iterations.

Varimax rotation was used in the Principal Components analysis for factor analysis and factors above 1 were included in the dimensions according to Eigen values. When the factor loadings are examined, the factor loadings of all items are above the 0.40 limit and the validity level is high. Eigen values and Bartlett's Sphericity test results for the factor structure indicate a three-factor structure, and according to the Kaiser Meyer Olkin analysis, the sample is sufficient for factor analysis. The scale explains ethical perception in three dimensions and 49.65% of the total variance.

The Principal Component Analysis (PCA) initially suggested four factors based on eigenvalues greater than 1. However, upon closer examination of the scree plot, it became evident that there was a clear elbow after the third factor. This indicated diminishing returns with additional factors. Therefore, it was decided to retain three factors for further analysis. Scree pilot for ethical perception scale was shown in the Figure 4.1.



### Figure 4.1: Scree Pilot for Ethical Perception Scale

As shown in the Figure 4.1, risk perception items had three dimensions. According to literature and original items of the research, dimensions were named as follows:

- Passively benefitting: 11, 15, 16, 23, 24, 25<sup>th</sup> items
- Actively benefitting: 12, 13, 14, 17, 18, 19<sup>th</sup> items
- Deceptive legal practices: 20, 21, 22<sup>nd</sup> items

The results of the Cronbach Alpha internal consistency coefficient analysis for the reliability of the ethical perception scale were given in the Table 4.2.

**Table 4.2: The Results of the Cronbach Alpha Internal Consistency Coefficient Analysis for the Reliability of the Ethical Perception Scale**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Z	161,2148	771,877	,512	,834
Q15_etik	160,8616	778,421	,584	,835
Q16_etik	161,0692	767,591	,663	,833
Q23_etik	161,3294	771,504	,574	,834
Q24_etik	161,0382	773,094	,632	,834
Q25_etik	161,8520	766,935	,553	,833
<b>Passively benefitting</b>		0.785		
Q12_etik	162,2506	774,681	,434	,836
Q13_etik	162,8687	774,191	,472	,835
Q14_etik	161,7566	759,467	,664	,831
Q17_etik	162,0286	762,602	,627	,832
Q18_etik	161,6993	771,067	,542	,834
Q19_etik	162,7613	785,249	,355	,838
<b>Actively benefitting</b>		0.720		
Q20_etik	161,2721	797,060	,207	,841
Q21_etik	161,5036	793,117	,246	,840
Q22_etik	161,1146	785,054	,405	,837
<b>Deceptive legal practices</b>		0.570		

<b>Ethics total</b>	0.840
---------------------	-------

The internal consistency coefficients of the passive and active utilization dimensions of the ethical perception scale are between 0.70 and 0.90, which is a high level in the literature. In the Deceptive legal practices dimension, the internal consistency coefficient, which is at a low level, is 0.570, and since the internal consistency coefficient of the entire scale is at a high level, it was used in the analysis.

Since the risk perception scale consists of question-answer demographic items instead of Likert type, it is not suitable for validity analysis. Instead, Intraclass Coefficient (ICC) values were looked at along with reliability. Risk scale items and reliability analysis showed in the Table 4.7.

**Table 4.3. Risk Scale Items and Reliability Analysis Results**

	<b>Scale Mean if Item Deleted</b>	<b>Scale Variance if Item Deleted</b>	<b>Corrected Item-Total Correlation</b>	<b>Cronbach's Alpha if Item Deleted</b>
Q4	8,31	2,792	,398	,655
Q5	8,37	3,719	,200	,689
Q6	8,31	3,232	,476	,624
Q7	8,27	3,197	,475	,623
Q8	8,29	3,087	,562	,600
Q9	7,90	3,641	,200	,692
Q10	8,10	3,128	,469	,623
Total Cronbach Alpha		0.680		
ICC		0.233		
Hotelling's T <sup>2</sup>		336.901; p<0.001		

Reliability analysis results showed that risk scale items had reliable internal consistency with 0.680 Cronbach Alpha level. ICC level and Hotelling's T<sup>2</sup> levels also showed validity and adaptability of the scale.

#### 4.4 Data Analysis

Upon finishing the structured survey, the study will employ several statistical analysis techniques to interpret the results and test the hypotheses. These procedures will help assess the differences in consumer ethics perception between Islamic banking and conventional banking customers, as well as explore the implications of Prospect Theory within this context. The following outlines the planned statistical analysis procedures:

**Preliminary Analysis:** The initial analysis of the collected data will involve using descriptive statistics to summarize the demographics of the participants and give an overview of the responses for each questionnaire item. Different measures such as means, medians, standard deviations, and frequency distributions will be used for describing the data, providing insight into the central tendencies and variability of the responses.

**Reliability Testing:** To ensure the reliability of the data collected from the questionnaire, we will assess the internal consistency of the scales using Cronbach's alpha before conducting the main analyses. Scales with Cronbach's alpha values equal to or greater than 0.70 will be considered reliable and can be used for further analysis.

**Comparative Analysis:** To investigate the main research hypothesis about the variations in ethical beliefs among customers of Islamic and conventional banking, independent samples t-tests (for two groups) or one-way ANOVA (for more than two groups) will be used. These tests will help to identify whether there are any significant differences in the ethical perception scores between the two types of banking.

**Regression Analysis:** Multiple regression analysis to investigate the interrelationships between Islamic and conventional banking, knowledge of banking principles, demographic factors, and ethical perceptions will be used. Through this analytical approach, the key determinants that can predict ethical perception among banking customers, while also accounting for any potential confounding variables will be identified.

**Analysis of Prospect Theory Scenarios:** Responses to Prospect Theory-based scenarios will be analyzed using logistic regression to explore how different framing

effects influence decision-making among participants. This analysis will assess the impact of loss aversion, risk preferences, and other Prospect Theory constructs on ethical decision-making in banking contexts.

**Factor Analysis:** To examine construct validity and explore the underlying dimensions of consumer ethics perception, exploratory factor analysis (EFA) will be conducted initially, followed by confirmatory factor analysis (CFA) if the study design permits.

The underlying structure of the Muncy-Vitell Consumer Ethics Scale in the context of comparing Islamic and conventional banking customers was investigated through a factor analysis. Principal Component Analysis (PCA) was utilized as the extraction method due to its suitability for identifying latent structures in correlation data.

The suitability of data for factor analysis was initially confirmed through Bartlett's Test of Sphericity and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy. A significant result was obtained for Bartlett's test ( $p < 0.001$ ), indicating that the correlation matrix was suitable for factor analysis and not an identity matrix. The KMO measure yielded a value of 0.87, well above the commonly recommended value of 0.6, suggesting that the patterns of correlations are relatively compact and thus suitable for PCA. These analyses will help understand the structure of ethical perceptions and validate the theoretical framework proposed in the study.

**Moderation and Mediation Analyses:** If deemed necessary, we will perform moderation and mediation analyses to investigate how cultural and religious beliefs affect the relationship between banking type and ethical perceptions. These analyses will help us understand the intricate interplay among the independent variables, mediators/moderators, and the dependent variable (ethical perception).

**Handling of Missing Data:** The analysis will also include procedures for handling missing data, such as listwise or pairwise deletion, or imputation methods, depending on the extent and nature of missingness. The chosen method will be clearly justified to ensure the robustness of the analysis.

## CHAPTER V

### ANALYSIS AND RESULTS

#### 5.1 Descriptive Statistics

Demographic properties of Islamic banking customers participated to the research survey were shown in the Table 5.1.

**Table 5.1. Demographic Properties of Islamic Banking Customers Participated to the Research Survey**

		Islamic Banking (n=158)	
		n	%
Age	18-24 ages	2	1.3
	25-34 ages	53	33.5
	35-44 ages	73	46.2
	45-54 ages	23	14.6
	55 and higher	7	4.4
Gender	Female	61	38.6
	Male	97	61.4
Education	Primary	1	0.6
	Secondary	9	5.7
	Bachelor's	76	48.1
	Master's	60	38.0
	PhD and above	12	7.6
Income	Low	4	2.5
	Moderate	120	75.9
	High	34	21.5

1.3% of the Islamic bank customers surveyed were between the ages of 18-24, 33.5% were between the ages of 25-34, 46.2% were between the ages of 35-44, 14.6% were between the ages of 45-54 and 4.4% were aged 55 and over. 38.6% of Islamic bank customers were female and 61.4% were male. 0.6% had primary, 5.7% had secondary, 48.1% had Bachelor's, 38.0% had master's degree and 7.6% had PhD or over level education. 2.5% had low, 75.9% had moderate and 21.5% had high level income.

Demographic properties of conventional banking customers participated to the research survey were shown in the Table 5.2.

**Table 5.2: Demographic Properties of Conventional Banking Customers Participated to the Research Survey**

		<b>Conventional Banking (n=261)</b>	
		<b>n</b>	<b>%</b>
Age	18-24 ages	10	3.8
	25-34 ages	70	26.8
	35-44 ages	126	48.3
	45-54 ages	50	19.2
	55 and higher	5	1.9
Genders	Females	105	40.2
	Males	156	59.8
Education	Primary	4	1.5
	Secondary	48	18.4
	Bachelor's	162	62.1
	Master's	41	15.7
	PhD and above	6	2.3
Income	Low	34	13.0
	Moderate	183	70.1
	High	44	16.9

3.8% of the conventional bank customers surveyed were between the ages of 18-24, 26.8% were between the ages of 25-34, 48.3% were between the ages of 35-44, 19.2% were between the ages of 45-54 and 1.9% was aged 55 and over. 40.2% of conventional bank customers were female and 59.8% were male. 1.5% had primary, 18.4% had secondary, 62.1% had Bachelor's, 15.7% had master's degree and 2.3% had PhD or over level education. 13.0% had low, 70.1% had moderate and 16.9% had high level income.

Financial properties and banking service usage levels of Islamic banking participants were given in the Table 5.3.

**Table 5.3: Financial Properties and Banking Service Usage Levels of Islamic Banking Participants**

		Islamic Banking (n=158)	
		n	%
Financial experience	None	15	9.5
	Low	31	19.6
	Moderate	67	42.4
	High	45	28.5
Stock	No	45	28.5
	Yes	113	71.5
Bond	No	146	92.4
	Yes	12	7.6
Mutual funds	No	65	41.1
	Yes	93	58.9
Gold	No	15	9.5
	Yes	143	90.5
Real estate	No	84	53.2
	Yes	74	46.8
Crypto currency	No	111	70.3
	Yes	47	29.7
Term deposit account	No	44	27.8
	Yes	114	72.2
Current deposit account	No	25	15.8
	Yes	133	84.2
Credit card	No	5	3.2
	Yes	153	96.8
Personal loan	No	37	23.4
	Yes	121	76.6
Investment account	No	25	15.8
	Yes	133	84.2
Paying bills	No	24	15.2
	Yes	134	84.8
Insurance products	No	42	26.6
	Yes	116	73.4
Private pension	No	43	27.2
	Yes	115	72.8

According to Table 5.3; 9.5% of Islamic bank customers say they have no financial experience; 19.6% stated that they had a low level of financial experience, 42.4% a medium level and 28.5% a high level of financial experience. 71.5% of Islamic banking customers use stock, 7.6% use bond, 58.9% use mutual funds, 90.5% use gold, 46.8% use real estate, 29.7% had crypto currency, 72.2% use term deposit account, 84.2% use current deposit account, 96.8% use credit card, 76.6% use

personal loan, 84.2% use investment account, 84.8% use bank for bill payment, 73.4% use insurance product, and 72.8% use private pension as financial products.

**Table 5.4: Financial Properties and Banking Service Usage Levels of Conventional Banking Participants**

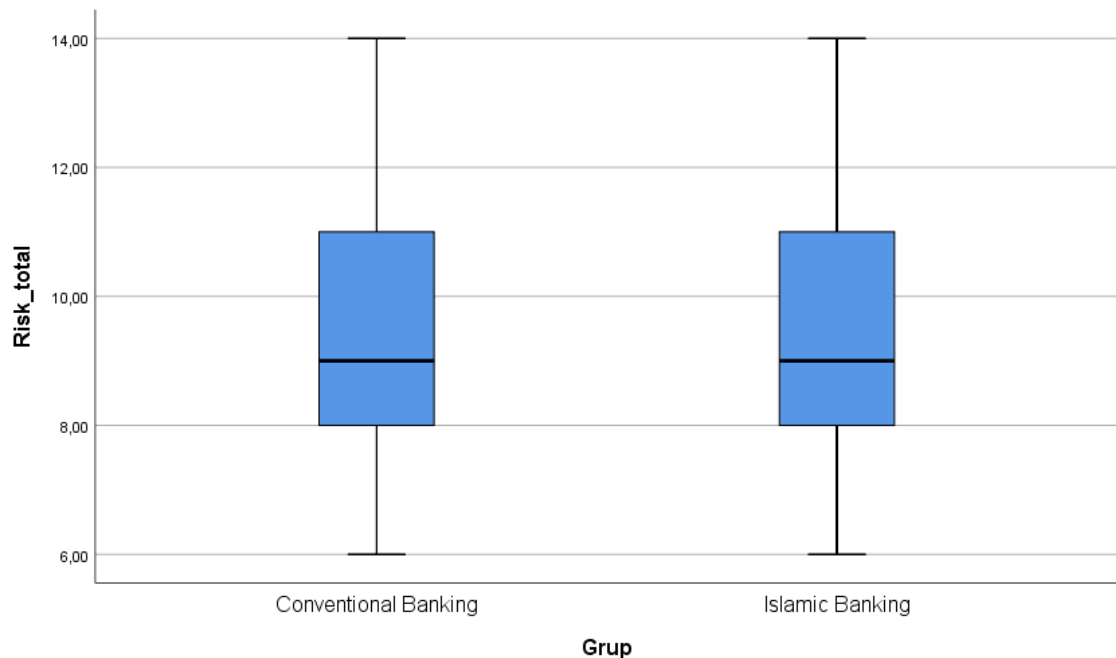
		Conventional Banking (n=261)	
		n	%
Financial experience	None	42	16.1
	Low	60	23.0
	Moderate	103	39.5
	High	56	21.5
Stock	No	111	42.5
	Yes	150	57.5
Bond	No	240	92.0
	Yes	21	8.0
Mutual funds	No	180	69.0
	Yes	81	31.0
Gold	No	65	24.9
	Yes	196	75.1
Real estate	No	177	67.8
	Yes	84	32.2
Crypto currency	No	136	52.1
	Yes	125	47.9
Term deposit account	No	152	58.2
	Yes	109	41.8
Current deposit account	No	91	34.9
	Yes	170	65.1
Credit card	No	39	14.9
	Yes	222	85.1
Personal loan	No	97	37.2
	Yes	164	62.8
Investment account	No	97	37.2
	Yes	164	62.8
Paying bills	No	68	26.1
	Yes	193	73.9
Insurance products	No	120	46.0
	Yes	141	54.0
Private pension	No	155	59.4
	Yes	106	40.6

Table 5.4 showed that 16.1% of conventional bank customers say they have no financial experience; 23.0% stated that they had a low level of financial experience, 39.5% a medium level and 21.5% a high level of financial experience. 57.5% of Islamic banking customers use stock, 8.0% use bond, 31.0% use mutual funds,

75.1% use gold, 32.2% use real estate, 47.9% had crypto currency, 41.8% use term deposit account, 65.1% use current deposit account, 85.1% use credit card, 62.8% use personal loan, 62.8% use investment account, 73.9% use bank for bill payment, 54.0% use insurance product, and 40.6% use private pension as financial products.

## 5.2 Comparative Analysis

Risk perceiving levels and change ranges according to banking customer groups were shown in the Figure 5.1.



**Figure 5.1: Risk Perceiving Levels and Change Ranges According to Banking Customer Groups**

Both means and changing ranges of risk perceiving were similar between groups. Thus, the first hypothesis of the research was rejected. In other words, risk perceiving of Islamic bank and conventional bank customers do not show statistically significant differences.

### 5.3 Application of Prospect Theory

The following questions, specifically Question 1 and Question 2, are designed to gather information about the investment experience of the survey participant. Question 1 pertains to how the survey participant perceives their experience level in investing. On the other hand, Question 2 is related to the financial instrument(s) that the survey participant has previously used. Question 3 asks survey participants about bank products they have been using lately.

Question 4 is the first question related to Prospect Theory. It addresses the risk preference of the survey participants when they are given an investment decision. The following survey question aims to evaluate the risk preferences and risk aversion of participants, both of which are important aspects of Prospect Theory. Let's see how this question aligns with the theoretical insights of Prospect Theory:

**Risk Preferences:** This question offers choices that reflect different levels of comfort with risk in investment decisions. By doing so, it provides us with insights into the participants' risk tolerance. The first option ("I avoid taking risks, I prefer guaranteed lower returns") measures the respondent's risk aversion. It helps us identify those who prioritize certainty and stability over potential higher gains, which indicates a tendency to minimize potential losses even at the expense of forgoing higher returns.

On the other hand, the second option ("I am open to taking risks for higher returns") represents a risk-seeking preference. This choice reveals individuals who are willing to accept significant levels of uncertainty to potentially increase their gains. The first option aligns well with the concept of loss aversion, which is a key element in Prospect Theory. Loss aversion refers to the tendency where the negative emotions associated with losing something are more significant than the positive emotions associated with gaining something. Participants who choose this option exhibit classic loss-averse behavior, which indicates that they are more likely to be influenced by the possibility of losing than by an equivalent potential gain.

The third option on the investment decision-making questionnaire, "Emin değilim" or "I am not sure," is indicative of uncertainty when deciding. This option can play a vital role in understanding the level of indecision or anxiety participants may feel when faced with investment decisions that involve risk.

By analyzing the participants' responses to this question, we can determine overall trends in their financial behavior. For instance, we can identify whether they are predominantly risk-averse or risk-seeking. This information is invaluable for understanding how different types of banking customers (Islamic vs. conventional) might approach financial decisions. Such understanding is central to the thesis, which explores consumer ethics perception in the context of Prospect Theory.

Question 5 presents two options: High risk investment and Secured Investment options.

**High-Risk Investment:** The first option offers a high annual return of 40% but comes with the caveat that, as with all investments, risks are involved. This choice tests the participant's willingness to engage in a high-reward scenario that lacks any guarantee of capital preservation, appealing to more risk-tolerant individuals.

Secured Investment - The second option also offers a 40% return but with 90% of the investment guaranteed. This introduces a safety net, reducing the overall risk exposure while maintaining the same potential for high returns.

This setup allows you to gauge the level of risk aversion among participants. The decision between a high potential return with significant risk versus the same return with substantial security can reveal preferences for risk tolerance or aversion influenced by the security attached to the investment.

Question 5 aligns with Prospect Theory in several ways:

**Loss Aversion:** The second investment option that guarantees 90% of the principal amount is appealing to those who tend to avoid losses. This is because people tend to weigh potential losses more heavily than equivalent gains, according to Prospect Theory. The inclusion of a guarantee in the second option reduces the perceived potential for loss, making it a more attractive choice for individuals who are averse to taking risks.

**Risk Framing:** The way options are presented has a significant impact on decision-making. By highlighting the risks associated with the first option and the safety of the second, people are more likely to choose the latter even if both options offer the same potential benefits. This is because the negative framing of risk in the first option can influence people's perception and lead to a higher selection rate for the second option.

Through analyzing the choices made by participants, it is possible to gain insights into how security versus risk impacts investment decisions. This question is an effective tool to measure how financial decision-making can be influenced by altering the perceived security associated with high-return investments. This is a direct application of the principles found in Prospect Theory. Such data will be valuable in understanding the behavioral finance aspects of how individuals, particularly Islamic versus conventional banking customers, evaluate investment opportunities under different conditions of risk and security.

Question 6 is related to Prospect Theory and its concepts of risk aversion and certainty effect. Each option in the question is analyzed in terms of these theoretical elements:

**Scenario Analysis:**

- 1. 80% chance to win 50,000 TL** - This option offers a chance to win 50,000 TL with an 80% probability but also involves a 20% chance of winning nothing.
- 2. Guaranteed win of 40,000 TL** - "This option provides a guaranteed, lower profit without any associated risks."

**Prospect Theory Concepts:**

**Risk Aversion:** According to Prospect Theory, people generally have a negative attitude towards risk, particularly when it comes to gains. They tend to prefer certainty over gambles that have a higher expected value but involve some level of risk. This aversion to risk is usually more significant when dealing with gains rather than losses.

**Certainty Effect:** This phenomenon is known as certainty effect, where people tend to give more importance to certain outcomes than to probable ones. It plays a significant role in the Prospect Theory and explains why people may choose a guaranteed smaller win over a larger win that is uncertain.

In the given scenario, the choice between a high but uncertain gain versus a lower but guaranteed gain is a classic example of the certainty effect. Individuals who opt for the guaranteed 40,000 TL exhibit risk-averse behavior, as predicted by the Prospect Theory. They prefer the security of a certain gain over the possibility of a higher expected value from the gamble. Conversely, those who choose the 80%

chance for 50,000 TL display risk-seeking behavior, which is less common according to the Prospect Theory, particularly when the outcomes are positive.

Question 7 gives participants an option to choose between a guaranteed discount and a discount that is based on probability. This setup is a classic way to study decision-making under uncertainty, which is explained in the Prospect Theory. Here is how each option in the question aligns with the principles of this theory.

### **Scenario Analysis:**

There are two options available for the respondent:

- Option 1: You can get a 30% discount on your purchase, which will help you save up to 30,000 TL. This option guarantees you a discount and savings, which provides you with a sense of security and certainty in the benefit you will receive.
- Option 2: You have a 50% chance of getting a 60% discount on your purchase, which means you could potentially save up to 60,000 TL. However, there is also a 50% chance that you won't get any discount at all. This option represents a gamble with a higher potential reward, but it also comes with a significant risk of no reward.

### **Prospect Theory Concepts:**

**Risk Aversion and the Certainty Effect:** Prospect Theory proposes that when individuals are presented with the possibility of gains, they tend to avoid risks and prefer certain gains over probabilistic ones, even if the latter may offer higher potential returns. The certainty effect is particularly robust in this scenario, as people tend to place a higher value on guaranteed outcomes, instead of opting for higher expected values that are uncertain.

**Expected Utility vs. Actual Choices:** Based on the theory of prospect, individuals do not always make decisions through mathematical calculations of expected utility, which involves weighing the potential outcomes based on probabilities. Instead, they often choose based on the psychological impact of certainty and the fear of ending up with nothing.

### **Application to the Survey Question:**

In this scenario, people are faced with a choice between two types of savings. One option is a secure investment that offers lower returns, while the other is a potentially higher investment that comes with risk. Those who opt for the safe 30,000 TL

savings are likely doing so because they are worried about the possibility of losing all their savings, which is known as loss aversion. This aligns with the behavior predicted by Prospect Theory when it comes to decision-making involving gains.

On the one hand, some people may opt for the guaranteed savings of 50,000 TL as they are not willing to take any risk and prefer a safe option. On the other hand, there are others who may choose the probabilistic chance of saving 60,000 TL. However, this option involves a risk that could potentially lead to higher savings, but there is also a risk of not saving anything at all. The decision to choose this option may be influenced by differences in individual risk tolerance or by situational factors that are not considered by the question but are crucial in real-world decision-making scenarios.

Question 8 effectively captures key aspects of Prospect Theory, particularly focusing on risk preference and the certainty effect. Here's an analysis of how this scenario aligns with Prospect Theory:

**Scenario Analysis:**

- 1. Guaranteed win of 10,000 TL** - "This option provides a guaranteed and secure profit with no risk involved."
- 2. 50% chance to win 20,000 TL or win nothing** - This option presents a 50-50 chance of either doubling the guaranteed gain or gaining nothing.

**Prospect Theory Concepts:**

**Risk Aversion:** Prospect Theory proposes that individuals tend to be risk-averse in situations involving gains. When faced with a decision between a guaranteed gain and a gamble with an equal or slightly higher expected value, most people will opt for the guaranteed gain. This is since the psychological pain caused by losing is more significant than the pleasure of an equivalent gain.

**Certainty Effect:** The certainty effect is a cognitive bias that causes people to choose certain outcomes over uncertain ones, even when the uncertain options have a higher or equal expected value. This effect is especially noticeable in situations where individuals must choose between a guaranteed small gain versus a potentially larger but risky gain.

**Application to the Survey Question:**

By offering a choice between a secure gain and a riskier option with a potentially higher payout, this question tests the predictions of Prospect Theory regarding risk aversion and the certainty effect.

- Participants who choose the guaranteed 10,000 TL demonstrate risk-averse behavior by avoiding the possibility of ending up with nothing. This aligns with the predictions of Prospect Theory.
- In this scenario, those choosing the 50% chance for 20,000 TL are displaying risk-seeking behavior. According to Prospect Theory, this choice is less common when

the outcomes are positive, as the theory predicts that the aversion to losses (or, here, the risk of winning nothing) typically outweighs the attraction to equivalent or slightly higher gains.

Question 9 is an example of how people respond to potential losses and can be analyzed through Prospect Theory.

#### **Scenario Analysis:**

- 1. Guaranteed loss of 10,000 TL** - This option presents a certain, definite loss.
- 2. 50% chance to lose 20,000 TL or lose nothing** - This option presents a trade-off between the risk of a larger loss and the possibility of no loss at all.

#### **Prospect Theory Concepts:**

**Risk Seeking in the Domain of Losses:** The Prospect Theory suggests that humans tend to be more careful when dealing with gains but become more open to take risks when dealing with losses. When individuals are confronted with an unavoidable loss, they may prefer to take a chance to avoid the loss entirely, even if it means accepting a higher risk and potentially incurring a greater loss.

**Loss Aversion:** This theory suggests that losses have a greater impact than gains in decision-making, especially in behavioral economics.

#### **Application to the Survey Question:**

This question aims to test the predictions of Prospect Theory regarding risk preferences in the context of losses. Participants are given a choice between a certain smaller loss and a riskier option that could either result in no loss or double the loss.

Individuals who choose the option of a guaranteed loss of 10,000 TL are essentially avoiding the possibility of losing 20,000 TL, which is uncertain and could be a worse outcome. Although this choice may appear to go against Prospect Theory's recommendation of taking risks in the face of losses, it could be affected by an individual's personal level of risk tolerance and financial security.

Individuals who opt for a 50% chance of losing 20,000 TL or losing nothing are exhibiting a behavior that seeks risk. They are hoping to avoid the loss completely, even if it means taking the risk of incurring a double loss. This behavior aligns with the prediction of Prospect Theory, which suggests that when faced with a certain loss, individuals may prefer taking a gamble to avoid it.

The 10th survey question evaluates how individuals handle gains and assess probabilistic outcomes in decision-making under uncertainty.

#### **Scenario Analysis:**

**1. Guaranteed return of 20% yielding 200,000 TL:** This option provides a risk-free return on investment, ensuring complete security.

**2. 50% chance to gain 40% yielding 400,000 TL or a 50% chance to gain 10% yielding 100,000 TL:** There are two options available with different potential outcomes. The first option has a 50% chance of gaining 40% yield, which can result in earning 400,000 TL. The second option also has a 50% chance of gaining 10% yield, which can result in earning 100,000 TL. However, the second option presents a risk-reward scenario with a lower potential payoff than the first option. It is important to consider the risks before deciding.

#### **Prospect Theory Concepts:**

**Risk Aversion with Gains:** According to Prospect Theory, individuals usually avoid risks when it comes to gains. They tend to prefer guaranteed gains over gambles with similar or slightly better expected values. However, their preference can change to seeking risks when all options involve losses or when the risky option has significantly higher potential gains.

**Certainty Effect:** Prospect Theory is based on the fundamental principle that people tend to give more importance to certain outcomes compared to uncertain ones, even if the uncertain outcomes have a higher expected value. This explains why

individuals generally prefer a guaranteed lower gain over a higher but uncertain one. This question tests participants' risk thresholds for higher gains.

#### **Application to the Survey Question:**

Choosing between a guaranteed gain and a probabilistic gain helps to test:

Participants are faced with a choice between a guaranteed gain of 200,000 TL or a gamble that could result in either 400,000 TL or only 100,000 TL. According to Prospect Theory, most people would prefer the guaranteed 200,000 TL due to their aversion to risk when it comes to gaining something.

This question tests participants' risk thresholds and sensitivity to higher gains.

#### **Analyzing Responses:**

Analyzing how participants respond to these questions can provide insights into:

**Individual and collective risk preferences:** Understanding these preferences can help in identifying how different consumers perceive and react to risks in banking decisions.

Questions 11-25 aim to evaluate various dimensions of consumer ethics in the banking context. These questions examine attitudes towards behaviors that may be considered unethical or morally ambiguous. They address a broad spectrum of issues such as honesty in reporting bank errors, attitudes toward accidental undercharges, the appropriateness of exploiting promotional offers, and the justification of deceptive practices for personal gain. Each question is based on a Likert scale, enabling respondents to express the strength of their agreement or disagreement with ethical or unethical actions, which allows for a quantifiable measurement of their ethical perceptions.

With the framework of the Muncy and Vitell Consumer Ethics Scale as described question 11 talks about what a respondent would do if a bank error financially benefited them can be classified under the **second factor: Passively Benefiting**. Here's a breakdown of how this question aligns with this specific dimension:

**Active and Passive Unethical Behaviors:** This question pertains to a particular aspect of ethical behavior, which concerns how consumers deal with errors that work in their favor. When individuals choose not to report a bank error that benefits them, they might be engaging in passive unethical behavior. In such cases, the individuals

are not rectifying an error that, even though not caused by them, benefits them at the cost of the bank.

**Ethical Decision Making:** This survey assesses how people make ethical decisions and whether they are willing to engage in behaviors that could benefit themselves but may be considered unethical. If someone answers "Agree" or "Strongly Agree," it suggests that they prioritize personal gain over their ethical responsibility to correct a mistake.

#### **Ethical Constructs Explored:**

**Moral Equity:** Individual perception of fairness is measured by determining if one feels entitled to benefit from an error without making amends.

**Relativism:** This dimension examines how much an individual adheres to universal moral principles. In this specific scenario, it evaluates whether individuals think that a bank error, which may be perceived as a faceless institution, justifies their decision not to report it and instead, use it to their own advantage.

**Deontological Norms:** Involves responsibilities and obligations that one feels compelled to follow. The question assesses whether individuals feel it's their duty to report errors, despite the potential personal cost of correcting them.

Question 12 of the survey assesses individuals' willingness to actively accept a beneficial error in banking fees. This topic is relevant to Muncy and Vitell's framework, specifically in the context of actively benefiting from consumer ethics on their scale.

#### **Survey Analysis**

**Consumer Ethical Behavior Insight:** Insights into how consumers justify ethical behaviors in financial contexts can inform ethical standards in low-stakes transactions.

**Banking Practices Application:** By understanding how consumers respond to certain situations, banks can assess the ethical climate of their clientele. This can influence how they handle transactional errors and discrepancies. It might encourage more rigorous monitoring of transaction fairness or proactive customer engagement to correct discrepancies. Ultimately, this can help enhance trust and ethical standards.

The 13th survey question explores consumer behavior related to actively seeking financial benefits through multiple banking promotions. This aligns with Muncy and Vitell's framework under the dimension of Actively Benefiting from Legal but Questionable Practices. Here is an analysis of how this question fits into the consumer ethics scale:

### **Placement within Muncy and Vitell's Consumer Ethics Scale**

**Question:** "I can take advantage of promotional offers from multiple banks for personal gain."

**Dimension Analysis:** This question falls under the category of "Actively Benefiting from Legal but Questionable Practices". It aims to evaluate the respondent's willingness to engage in behaviors that, while legally allowed, may be considered ethically questionable or exploitative. The behavior in question involves taking advantage of promotional offers that are designed to attract new customers. Though these offers may not be illegal, they can be viewed as exploiting the intention behind them.

### **Ethical Implications**

**Ethical Reflection:** To respond to this question, one must contemplate their ethical standpoint when it comes to actively seeking personal gains through tactics that may be perceived as exploiting the system. This inquiry assesses one's perspective on concepts such as fairness, greed, and the utilization of marketing loopholes.

**Scale Response:** Utilizing a Likert scale that ranges from "Strongly Disagree" to "Strongly Agree" enables a nuanced assessment of the extent to which participants believe it is acceptable to engage in certain practices. Individuals who "Strongly Disagree" may prioritize ethical consistency and integrity over personal financial benefits, while those who "Agree" or "Strongly Agree" may prioritize personal economic gains over ethical considerations.

### **Survey Analysis**

**Consumer Ethical Behavior Insight:** The responses to this question can offer significant insights into how consumers view the idea of maximizing personal benefits by possibly taking advantage of banking systems. Such behavior might suggest that the consumer is proactive and aims to make the most of available

financial opportunities, indicating a practical or utilitarian approach to financial decision-making.

**Banking Practices Application:** Banks and financial institutions can gain insights into their customers' ethical profiles and design effective promotional offers by understanding how they respond to marketing strategies. This knowledge can help prevent potential exploitation while still attracting new clients. Additionally, it can assist in managing risks related to promotional abuse.

Understanding people's views on participating in financially profitable but ethically dubious activities is a crucial question. The answers can guide financial institutions in adjusting their marketing tactics to encourage customer engagement while preventing any potential misuse of the system. This will ultimately result in a more ethical and consistent banking environment.

This survey question (14) asks if respondents are willing to exploit regulatory loopholes in banking for personal gain, which aligns with Muncy and Vitell's framework on benefiting from questionable practices. An in-depth analysis is available.

### **Placement within Muncy and Vitell's Consumer Ethics Scale**

**Question:** "I can accept gaining financial benefit by exploiting gaps in banking regulations."

**Dimension Analysis:** This question belongs to the category of "Actively Benefiting from Legal but Questionable Practices." It aims to evaluate whether the respondent is likely to engage in activities that are technically legal but may be regarded as unethical or morally dubious. The question centers around the deliberate pursuit of financial gain by exploiting weaknesses within the system, which could be perceived as capitalizing on inefficiencies or oversights in banking regulations.

### **Ethical Implications**

**Ethical Reflection:** The question requires a contemplation of moral values, especially the balance between legality and ethics. It asks individuals to assess whether they place greater importance on legal opportunities for personal gain or broader ethical standards, and to consider the societal consequences of their actions.

**Scale Response:** The Likert scale provides responses that range from "Strongly Disagree" to "Strongly Agree". It quantifies the degree of acceptance or rejection of certain practices. Individuals who select "Strongly Disagree" may uphold stricter ethical standards that go beyond mere legal compliance, placing value on ethical integrity even in the presence of legal loopholes. In contrast, individuals who select "Agree" or "Strongly Agree" may justify their actions based on legal permissibility, emphasizing pragmatic or utilitarian approaches to opportunities presented by the system.

### **Survey Analysis**

**Consumer Ethical Behavior Insight:** Examining the answers to this question can help us understand how people rationalize ethical choices when they stand to benefit personally. This sheds light on how consumers perceive and respond to the difference between ethical and legal, revealing their views on taking advantage of gaps in the system for their own gain.

**Banking Practices Application:** To address possible vulnerabilities in the banking system, banks and regulatory bodies must comprehend the extent and acceptance of certain attitudes. This understanding assists in enforcing stricter regulations and eliminating loopholes to prevent exploitation. Additionally, this insight enables banks to develop their corporate governance and ethics policies to encourage a culture of ethical integrity, even in domains that are not explicitly governed by current regulations.

This question is crucial in understanding the ethical stance of banking customers regarding the exploitation of regulatory loopholes. It reveals important aspects of their moral reasoning and ethical behavior in financial contexts. The responses to this question can assist in creating a profile of consumer ethics, which is vital for regulatory and policy-making efforts aimed at reinforcing ethical standards in the banking sector.

Survey question 15 inquires about engaging in financially questionable practices, such as tax evasion, to gain personal financial benefits. According to the Muncy and Vitell Consumer Ethics Scale, this question falls under the category of "**Passively Benefiting**." To better understand and analyze this question in the context of this study, consider the following information:

### **Placement within Muncy and Vitell's Consumer Ethics Scale**

**Question:** "I can use financially dubious practices like tax evasion if it benefits me."

**Dimension Analysis:** This question falls under the "Passively Benefiting" It aims to gauge the extent to which respondents are willing to engage in clearly illegal actions for personal gain, indicating a readiness to ignore legal and ethical standards in exchange for financial benefit.

### **Ethical Implications and Survey Analysis**

**Ethical Reflection:** Individuals must confront ethical and legal boundaries when weighing financial incentives against clear-cut illegal activities.

**Scale Response:** Using a Likert scale from "Strongly Disagree" to "Strongly Agree," this question measures the intensity of the respondent's ethical stance against or in favor of illegal financial practices. Those who "Strongly Disagree" are likely to hold strong ethical convictions that prioritize legality and morality over personal gain, while those who "Agree" or "Strongly Agree" may prioritize personal economic benefits over ethical or legal considerations.

### **Application to Banking Customers (Islamic vs. Conventional)**

**Comparative Analysis:** This question could be essential in identifying the difference between customers of Islamic and conventional banking. Islamic banking is rooted in ethical and religious principles that strictly prohibit illegal financial practices. By comparing the responses of these two groups, we may be able to identify significant differences in their ethical orientations.

**Islamic Banking Customers** might show a higher tendency to "Strongly Disagree" with engaging in illegal activities due to the strong ethical and religious prohibitions against such behavior.

**Conventional Banking Customers** might display more variability in their responses depending on their personal ethical views and less stringent ethical frameworks guiding their financial practices.

This survey question (16) aims to explore whether the respondent would be willing to engage in deceptive practices to obtain favorable financial conditions, such as lower interest rates or better credit card deals, by providing false information to a bank. This question fits well within the "Passively Benefiting" category of the

Muncy and Vitell Consumer Ethics Scale. To analyze and interpret this question, respondent's answer and infer their ethical stance on fraudulent behavior for personal financial gain can be examined.

### **Placement within Muncy and Vitell's Consumer Ethics Scale**

**Question:** I might provide false information to a bank to secure a loan on more favorable terms or obtain a credit card with more advantageous conditions.

**Dimension Analysis:** This question evaluates one's willingness to engage in illegal activities for personal gain by providing false information, which is a violation of legal and ethical standards in financial dealings.

### **Ethical Implications and Survey Analysis**

**Ethical Reflection:** The question asks respondents to reflect on their ethical boundaries concerning financial deceit. It measures the respondent's willingness to compromise ethical and legal standards for personal financial advantages.

**Scale Response:** This question aims to measure the level of acceptance of lying to a financial institution using a Likert scale that ranges from "Strongly Disagree" to "Strongly Agree." A response that leans towards "Strongly Agree" signifies a higher tolerance or inclination towards unethical and illegal behavior, especially when there is a direct personal benefit involved.

### **Survey Analysis**

**Consumer Ethical Behavior Insight:** Responses to this question are very important as they can help us understand the ethical standards of banking customers when it comes to honesty and integrity. This understanding is especially relevant for financial institutions as it can impact their risk assessments, credit scoring models, and strategies for preventing fraud.

**Pattern Recognition:** Researchers can analyze response patterns to identify segments of the population more prone to financial deceit. This can help design, market, and monitor financial products and services to mitigate risks associated with such behaviors.

### **Measuring and Drawing Conclusions**

**Data Analysis:** Analyzing the responses quantitatively can aid in comprehending the extent to which deceitful behaviors are accepted in financial dealings. This may involve determining the percentage of respondents in various agreement categories and carrying out statistical tests to determine if these percentages differ significantly from anticipated distributions based on ethical standards.

**Interpretation:** A high level of agreement with the statement may indicate a need for stronger education on financial ethics and enhanced verification processes in banking.

**Implications for Banks:** The insights obtained from this question can be very useful for banks to improve their application and monitoring processes. This can help them to identify and prevent dishonest practices more effectively. To achieve this, banks may need to implement more stringent checks and balances or communicate more transparently about the potential consequences of providing false information.

By understanding the ethical landscape of their clientele, banks and policymakers can tailor strategies to promote transparency and honesty in the financial environment.

This survey question (17) The following statement assesses the opinions of the respondent regarding the use of banking services in a way that is not intended by the bank but does not cause any apparent problems or harm. This statement falls under the "Passively Benefitting" category of the Muncy and Vitell Consumer Ethics Scale. Here is a detailed analysis of how this question relates to the ethical dimensions discussed:

#### **Placement within Muncy and Vitell's Consumer Ethics Scale**

**Question:** "I find it acceptable to use banking services in a way that is not intended by the bank, as long as it does not cause any problems."

**Dimension Analysis:** This question is classified under the "Passively benefiting" dimension. It explores the ethical reasoning that if an action does not cause direct harm or disrupt service, it might be viewed as acceptable—even if it involves using the services in ways not intended by the provider.

#### **Ethical Implications and Survey Analysis**

**Ethical Reflection:** The question examines the ethical flexibility of respondents when justifying behaviors based on the perceived absence of harm. It assesses the rationalization that exploiting loopholes or bending rules might be acceptable if no negative consequences are visible.

**Scale Response:** This question uses a Likert scale that ranges from "Strongly Disagree" to "Strongly Agree" to measure how much individuals value ethical standards based on the direct impact of their actions. Those who "Strongly Agree" may believe in a consequentialist viewpoint where the morality of an action is defined by its outcomes. On the other hand, those who "Strongly Disagree" may adhere to stricter ethical or deontological principles, where the rightness of an action is not solely determined by its consequences.

### **Survey Analysis**

**Consumer Ethical Behavior Insight:** Understanding how consumers justify using financial services for unintended purposes can inform broader consumer ethics in finance.

**Pattern Recognition:** By analyzing response patterns, it is possible to identify consumer segments that are more likely to engage in opportunistic behavior while claiming that no harm was done. This information is crucial for banks as they manage their service guidelines and develop policies to prevent misuse while keeping their customers satisfied.

### **Measuring and Drawing Conclusions**

**Data Analysis:** One can analyze the distribution of responses to determine how prevalent the "passively benefiting" ethical stance is among banking customers. Statistical methods can help explore the correlations with other variables, such as age, income, or the type of banking services used.

**Interpretation:** A higher level of agreement with this statement may indicate a need for banks to clearly communicate the intended use of their services and the ethical implications of misuse, even when no immediate harm is apparent.

**Implications for Banks:** This question's findings can help banks clarify acceptable uses and consequences of misuse in their terms of service, aiming to foster a more ethically aware customer base.

This survey question explores nuanced ethical considerations in banking behavior, providing valuable insights into consumer morality that can influence policy and operational strategies within financial institutions.

The 18th survey question addresses the issue of accepting benefits from a banking error that leads to a lower interest or profit rate. This question can be categorized under the "Actively benefitting" category from the Muncy and Vitell Consumer Ethics Scale. Let's see how this question is aligned with this ethical framework:

### **Placement within Muncy and Vitell's Consumer Ethics Scale**

**Question:** I am willing to accept a lower interest/profit rate due to a bank error, if it does not harm anyone directly affected.

**Dimension Analysis:** This question examines the ethics of benefiting actively from a bank error, provided that the error does not visibly harm anyone else.

### **Ethical Implications and Survey Analysis**

**Ethical Reflection:** This question aims to understand the respondent's ethical stance on whether it is acceptable to benefit from errors that work in their favor, even if there is no apparent harm caused to others. It tests the notion that individuals may justify personal gain by citing the lack of direct harm caused by an error.

**Scale Response:** This question uses a Likert scale that ranges from "Strongly Disagree" to "Strongly Agree" to measure how strongly participants believe it is acceptable to benefit from a certain scenario. Those who choose "Strongly Disagree" may prioritize ethical principles such as honesty and the importance of correcting errors, regardless of the harm caused. On the other hand, those who choose "Agree" or "Strongly Agree" may prioritize a utilitarian approach that emphasizes outcomes over strict adherence to ethical rules.

### **Survey Analysis**

**Consumer Ethical Behavior Insight:** This question is crucial for understanding how individuals justify taking advantage of non-harmful errors, providing insight into the levels of ethical flexibility among banking customers and their attitudes towards fairness and accountability.

**Pattern Recognition:** Analyzing customer feedback can help banks identify common trends and ethical expectations of clients to develop proactive strategies to address concerns in the banking industry.

This question highlights the complex aspects of consumer ethics in banking, revealing how customers perceive and rationalize actions that are legally and morally ambiguous but appear harmless. The responses offer valuable insights into consumer ethics that can help financial institutions improve their ethical guidelines and customer relationship management.

This survey question (19) addresses the ethical considerations that arise while using a banking system in a way that does not cause financial loss to others. This question can be placed under the "Actively benefitting" category of the Muncy and Vitell Consumer Ethics Scale. Here's an analysis of how this question aligns with that ethical framework:

#### **Placement within Muncy and Vitell's Consumer Ethics Scale**

**Question:** "It is not a problem to use a banking system that does not cause financial loss to others."

**Dimension Analysis:** This statement pertains to "Actively Benefitting", which involves the justification of certain behaviors under the reasoning that if no individual is directly harmed by the action, it may not necessarily be considered unethical. This perspective places emphasis on the consequences of actions rather than the actions themselves.

#### **Ethical Implications and Survey Analysis**

**Ethical Reflection:** This question aims to understand the respondent's perspective on the moral acceptability of taking advantage of certain features or loopholes in the banking system, if these actions do not cause financial harm to anyone. It tests the ethical boundary and explores the moral justification based on the absence of visible negative consequences.

**Scale Response:** Using a Likert scale that ranges from "Strongly Disagree" to "Strongly Agree" can help measure the intensity of ethical convictions pertaining to the use of banking systems that do not cause direct harm. Individuals who "Strongly Disagree" are likely to hold a principle-based ethical stance that deems actions as

wrong, regardless of the direct harm they cause. On the other hand, individuals who "Agree" or "Strongly Agree" may consider the morality of actions through a consequentialist approach, focusing on the outcomes of actions rather than their intrinsic rightness or wrongness.

### **Survey Analysis**

**Consumer Ethical Behavior Insight:** Responses to this question can reveal insights into how consumers rationalize the use of banking services, even if it may seem exploitative.

**Pattern Recognition:** Financial institutions can assess the ethical climate of their clients by analyzing their responses. This information can be used to conduct risk assessments, particularly in the context of designing banking systems and services that are robust against ethically controversial but legally ambiguous misuse.

### **Measuring and Drawing Conclusions**

**Data Analysis:** Analyzing the distribution and average responses and comparing these across different demographics or customer segments can help reveal ethical attitude trends.

**Interpretation:** If a significant number of people think that some banking practices are acceptable despite being unethical, it might signal the need for better education and guidelines on ethical banking practices. This could also suggest that some people believe that if the practices are not harmful, they are acceptable. This issue could be addressed through policies or engagement strategies with customers to change their perceptions and encourage ethical banking practices.

**Implications for Banks:** The insights derived from this question are essential for banks to comprehend their customers' expectations and ethical standards. This understanding can aid in the creation of policies that reinforce ethical guidelines and promote transparent and fair banking practices, ultimately enhancing the trust and dependability of the banking sector.

This survey question (20) is about people's readiness to report unethical practices by a bank, even if it could result in personal loss. This question is related to ethical decision-making and can be classified as a proactive ethical stance that focuses on "Actively Benefiting from Deceptive but legal practices" or potentially a new

category related to "Ethical Activism", depending on how the Muncy and Vitell Consumer Ethics Scale is interpreted.

**Analysis and Placement within Ethical Dimensions:**

**Question:** "Even if it may personally harm me, I prefer to report any unethical practices by the bank to the appropriate authorities."

**Dimension Analysis:** This question delves into the wider implications of ethical responsibility and personal sacrifice for ethical integrity. Although it does not fall directly into one of the conventional four categories defined by Muncy and Vitell, it goes beyond the ideas of passive or active benefitting. It explores the concept of moral courage, which is the willingness to take personal risks to uphold ethical standards.

**Ethical Implications and Survey Analysis:**

**Ethical Reflection:** This question is designed to test one's ethical convictions on a deeper level. Respondents must decide whether their personal ethics and commitment to justice are more important than any potential personal repercussions. It assesses one's moral integrity and their readiness to act ethically even in adverse conditions.

**Scale Response:** Using a Likert scale that ranges from "Strongly Disagree" to "Strongly Agree" is a useful method to evaluate the extent to which participants prioritize ethical principles over personal benefit or safety. Individuals who "Strongly Agree" with such principles can be considered highly committed to ethics, as they may value ethical considerations more than personal gain or security.

This survey question (21) aims to understand people's preferences for choosing a bank based on transparency and fairness, even if it means higher service fees. It seeks to gauge the importance of ethical banking practices to consumers and their readiness to pay more for ethical services. This question reflects ethical values and consumer priorities and aligns with the broader concept of ethical consumerism.

**Analysis and Ethical Considerations:**

**Question:** "I prefer a bank that is more transparent and fairer, even if it charges higher service fees."

**Ethical Dimension:** This question doesn't neatly fit into the specific categories outlined by Muncy and Vitell, but it delves into general consumer ethics. It reflects a consumer's inclination towards supporting institutions that uphold higher ethical standards, akin to voting with one's dollar for more ethical business practices. Ethical preferences can influence economic decisions.

**Survey Analysis:**

**Ethical Reflection:** The question asks respondents to consider the balance between the cost and ethical benefits of their banking choices, assessing the weight ethical factors such as transparency and fairness should carry in the selection of services.

**Scale Response:** Using a Likert scale from "Strongly Disagree" to "Strongly Agree," please assess the strength of your ethical convictions regarding fair business practices over cost savings. High agreement indicates a strong preference for ethics over cost, while disagreement may suggest prioritizing financial considerations or indifference to ethical standards.

This question is crucial for assessing the significance of ethical banking practices in consumer decision-making and can offer valuable insights into how banks should position themselves in the competitive market to attract ethically conscious consumers.

The survey question (22) The text addresses an individual's ethical stance on investing in financial products that could potentially harm the environment or society. It aligns with broader ethical considerations about socially responsible investing and can be associated with the ethical decision-making frameworks discussed in consumer ethics studies, such as the Muncy and Vitell Consumer Ethics Scale.

**Analysis and Ethical Considerations:**

**Question:** "I prefer not to invest in financial products that could harm the environment or society."

**Ethical Dimension:** This question focuses on the ethical implications of investment decisions, specifically related to socially responsible or ethical investing. Although not directly categorized under Muncy and Vitell's specified dimensions, it fits into a

broader ethical context where personal financial decisions are influenced by their potential societal impact.

#### **Survey Analysis:**

**Ethical Reflection:** Respondents are asked to consider their personal values and how these values influence their investment choices, particularly in terms of the ethical impact of their financial decisions.

**Scale Response:** The strength of respondents' commitment to ethical and socially responsible investing can be measured using a Likert scale ranging from "Strongly Disagree" to "Strongly Agree". Strong agreement indicates a high valuation of ethical considerations in financial activities, while strong disagreement might suggest prioritization of financial returns regardless of ethical consequences.

The insights from this question can reveal how ethical and social responsibilities influence investment choices among banking customers. This is particularly relevant for understanding consumer behavior in the context of the growing interest in sustainable and responsible investment (SRI) options.

This survey question (23) investigates whether the respondent is willing to manipulate bank employees to obtain better financial deals. It addresses ethical considerations related to interpersonal behavior and manipulation in financial contexts. This type of question falls into the "Passively Benefitting" category from the Muncy and Vitell Consumer Ethics Scale.

#### **Analysis and Ethical Considerations:**

**Question:** "I find it acceptable to manipulate bank employees to obtain more advantageous financial deals."

**Ethical Dimension:** This question falls under the category of "Passively benefiting." It explores the respondent's attitudes towards participating in manipulative behaviors that may not be illegal but raise ethical concerns. The question specifically looks at actively engaging in behaviors that exploit interpersonal interactions for personal gain.

#### **Survey Analysis:**

**Ethical Reflection:** This question asks respondents to consider their willingness to use manipulation—a morally questionable tactic—to achieve personal financial

benefits. It measures the individual's ethical stance on the manipulation of others for personal advantage.

**Scale Response:** This question uses a Likert scale ranging from "Strongly Disagree" to "Strongly Agree" to measure how acceptable participants find engaging in manipulative practices. Strong agreement indicates a higher tolerance for ethical ambiguity in pursuit of personal gain, while strong disagreement suggests a commitment to ethical principles that reject manipulation as an acceptable tactic.

This question is crucial for assessing ethical attitudes towards manipulation in financial transactions. It provides valuable insights to help financial institutions manage relationships with their clients and ensure ethical standards are upheld in all interactions.

The survey question (24) addresses the respondent's willingness to deceive a bank to achieve personal financial goals. This question raises serious ethical concerns and can be classified under "Passively benefitting" according to the Muncy and Vitell Consumer Ethics Scale. Here's an analysis of how this question aligns with that ethical framework:

### **Placement within Muncy and Vitell's Consumer Ethics Scale**

**Question:** "I would prefer to deceive the bank if it helps me reach my financial goals."

**Ethical Dimension:** This question pertains to the "Passively benefitting" dimension, assessing the willingness to engage in unethical for personal gain.

### **Ethical Implications and Survey Analysis**

**Ethical Reflection:** This question requires individuals to assess their moral and ethical boundaries when pursuing personal financial goals. It evaluates how individuals prioritize financial success over ethical and legal standards.

**Scale Response:** This question uses a Likert scale to measure the respondent's tolerance for unethical behavior, specifically deception, in pursuit of a goal. Those who strongly disagree with unethical practices demonstrate a strong commitment to ethical behavior, while those who agree or strongly agree may be more willing to justify deception for financial gain.

### **Survey Analysis**

**Consumer Ethical Behavior Insight:** Responses to this question offer insights into the ethical beliefs of banking customers, particularly regarding the acceptability of employing dishonesty to accomplish personal objectives.

This question is important for understanding how individuals may prioritize personal gain over ethical considerations, providing valuable information to help financial institutions manage their risk and reinforce ethical standards within their customer base.

Question 25 of the survey asks about the respondent's opinion on using aggressive bargaining tactics with bank employees to obtain better banking terms. It delves into the ethical aspects of interpersonal behavior and negotiation strategies within the banking industry. This question can be categorized as "Passively benefitting" within the Muncy and Vitell Consumer Ethics Scale.

#### **Placement within Muncy and Vitell's Consumer Ethics Scale**

**Question:** "I believe in using respectful negotiation tactics to secure favorable banking terms."

**Ethical Dimension:** This, while not illegal, may be seen as ethically questionable due to the pressure placed on bank employees.

#### **Ethical Implications and Survey Analysis**

**Ethical Reflection:** This question examines how individuals perceive the ethics of assertive negotiations that may exert undue pressure on bank employees, balancing personal financial gain with the autonomy and well-being of others.

**Scale Response:** Using a Likert scale from "Strongly Disagree" to "Strongly Agree" helps measure individuals' beliefs about the appropriateness of employing certain tactics. Those who "Strongly Disagree" likely highly value ethical considerations and interpersonal respect, even at the potential cost of less favorable financial terms. On the other hand, those who "Agree" or "Strongly Agree" may prioritize personal gain and view aggressive bargaining as a justifiable means to an end.

#### **Survey Analysis**

**Consumer Ethical Behavior Insight:** Insights from this question can reveal how individuals justify the use of aggressive behaviors in financial interactions, particularly in how they balance their own interests with ethical considerations.

This question is crucial for evaluating the acceptability of negotiation behaviors within banking interactions, providing valuable insights that can assist banks in managing customer relations and ensuring ethical interactions in all aspects of banking services.

#### 5.4. Hypothesis Testing

Before hypothesis tests, scale score distributions must be analyzed for normality, to select proper statistical method. Kolmogorov Smirnov normality test results for scale scores were given in the Table 5.5.

**Table 5.5: Kolmogorov Smirnov Normality Test Results for Scale Scores**

	Scale means		Test Statistic	p value
	Mean	Std. Deviation		
Risk total	9.59	2.05	0.168	0.000
Passively benefitting	24.52	4.81	0.128	0.000
Actively benefitting	18.52	5.01	0.069	0.000
Deceptive legal practices	12.05	2.35	0.142	0.000
Ethics total	55.10	9.49	0.043	0.059

Kolmogorov Smirnov test results showed that risk total score and dimensions of ethical behavior scale were not normally distributed ( $p < 0.05$ ). On the other hand, total ethics score distribution was normally distributed ( $p > 0.05$ ). Thus, nonparametric tests were used for risk and ethical behavior dimensions, whereas parametric tests were used for ethics total score.

##### 5.4.1. Risk Perceiving Differences Between Islamic Bank and Commercial Bank Customers

The first hypothesis of the research was conducted according to risk perceiving of Islamic and conventional bank customers as follows:

**H1:** Risk perceiving of Islamic bank and conventional bank customers show statistically significant differences.

Analysis results for the hypothesis were given in the Table 5.6.

**Table 5.6: Risk Perceiving Differences Between Islamic Bank and Commercial Bank Customers**

			<b>Risk total</b>
		<b>Means ± SD</b>	9.54±2.04
	<b>Conventional B. (n=261)</b>	<b>Median (Min.-Max.)</b>	9.00 (6.00-14.00)
		<b>Means ± SD</b>	9.67±2.07
<b>Group</b>	<b>Islamic B. (n=158)</b>	<b>Median (Min.-Max.)</b>	9.00 (6.00-14.00)
<b>p value</b>			0.462 <sup>a</sup>

**a. Mann Whitney U Test.**

Although risk perceiving means in Islamic banking customers (9.67±2.07) was higher than of conventional banking customers (9.54±2.04), the difference between groups were statistically insignificant ( $p>0.05$ ).

**5.4.2. Risk Perceiving Differences between Islamic Bank and Commercial Bank Customers**

The first hypothesis of the research was conducted according to risk perceiving of Islamic and conventional bank customers as follows:

**H2:** Ethical behavior of Islamic bank and conventional bank customers show statistically significant differences.

According to H2, following sub-hypotheses were developed:

**H2a:** Passively benefitting dimension of ethical behavior of Islamic bank and conventional bank customers show statistically significant differences.

**H2b:** Actively benefitting dimension of ethical behavior of Islamic bank and conventional bank customers show statistically significant differences.

**H2c:** Deceptive legal practices dimension of ethical behavior of Islamic bank and conventional bank customers show statistically significant differences.

Analysis results for the hypothesis and sub-hypothesis were given in the Table 5.7.

**Table 5.7: Risk Perceiving Differences Between Islamic Bank and Commercial Bank Customers**

	Group				p value
	Conventional Banking (n=261)		Islamic Banking (n=158)		
	Mean ± SD	Median (Min-Max)	Mean ± SD	Median (Min-Max)	
Passively benefitting	23.74±4.94	24.00 (6.00-30.00)	<b>25.83±4.30</b>	26.50 (6.00-30.00)	0.001 <sup>a</sup>
Actively benefitting	17.95±4.70	18.00 (6.00-29.00)	<b>19.47±5.36</b>	20.00 (6.00-30.00)	0.002 <sup>a</sup>
Deceptive legal practices	12.13±2.31	12.00 (3.00-15.00)	11.92±2.41	12.00 (4.00-15.00)	0.439 <sup>a</sup>
Ethics total	53.82±8.98	54.00 (26.00-73.00)	<b>57.23±9.94</b>	58.00 (19.00-75.00)	0.001 <sup>b</sup>

**a. Mann Whitney U Test, b. Independent Samples t-test, SD: Standard Deviation.**

Analysis results showed that passive benefitting dimension score in Islamic banking customers (25.83±4.30) were significantly higher than conventional banking customers (23.74±4.94) with statistically significant difference ( $p < 0.05$ ). Similarly, actively benefitting dimension score in Islamic banking customers (19.47±5.36) was significantly higher than conventional banking customers (17.95±4.70) with statistically significant difference ( $p < 0.05$ ). Deceptive legal practices dimension scores of both groups were similar, and the difference was statistically insignificant ( $p > 0.05$ ). Total ethical perceiving score of Islamic banking customers (57.23±9.94) were higher than conventional banking customers (53.82±8.98) and the difference was statistically significant ( $p > 0.05$ ). Thus, **H2, H2a, H2b** hypothesis were accepted, whereas **H2c** hypothesis was rejected. In other words, total ethical perceiving, active and passive benefitting levels of Islamic and conventional banking customers show statistically significant differences.

### 5.4.3. Risk Perceiving and Ethical Behavior Relations of Islamic Banking Customers

According to risk perceiving and ethical behavior relations of Islamic banking customers, following hypothesis was developed in the research:

**H3:** There is a statistically significant relationship between risk perceiving and ethical behavior of Islamic banking customers.

Correlation test results were shown in the Table 5.8.

**Table 5.8: Spearman's Rho Correlation Analysis Results Between Risk perceiving and Ethical Behavior of Islamic Banking Customers**

Risk total	Islamic Banking
Passively benefitting	-0.054
Actively benefitting	-0.034
Deceptive legal practices	0.131*
Ethics total	0.010

\* $p < 0.05$

Results showed that there were not significantly correlations between passive benefitting, active benefitting and total ethical behavior scores of Islamic banking customers ( $p > 0.05$ ). However, correlations between deceptive legal practices and risk perceiving level of Islamic banking customers had statistically significant correlations ( $p < 0.05$ ). In total score and two of three dimensions, correlations were insignificant. Thus, **H3** hypothesis of the research was rejected. In other words, there is not a statistically significant relationship between risk perceiving and ethical behavior of Islamic banking customers.

### 5.4.4. Risk Perceiving and Ethical Behavior Relations of Conventional Banking Customers

According to risk perceiving and ethical behavior relations of conventional banking customers, following hypothesis was developed in the research:

**H4:** There is a statistically significant relationship between risk perceiving and ethical behavior of conventional banking customers.

Correlation test results were shown in the Table 5.9.

**Table 5.9: Spearman’s Rho Correlation Analysis Results Between Risk Perceiving and Ethical Behavior of Conventional Banking Customers**

<b>Risk total</b>	<b>Conventional Banking</b>
Passively benefitting	-0,188**
Actively benefitting	-0,165**
Deceptive legal practices	-0,010
Ethics total	-0,181**

\*\*p<0.01

According to test results, risk perception dimension was negatively correlated with passive benefitting dimension ( $r=-0.188$ ;  $p<0.01$ ), active benefitting dimension ( $r=-0.165$ ;  $p<0.01$ ) and total scale score ( $r=-0.181$ ;  $p<0.01$ ) in conventional banking customers. Thus, **H4** hypothesis of the research was accepted. In other words, there is a statistically significant relationship between risk perceiving and ethical behavior of conventional banking customers.

#### **5.4.5. Effects of Risk Perceiving on Ethical Behaviors of Islamic Banking Customers According to Prospect Theory**

For the effects behaviors on risk perceiving of Islamic banking customers according to prospect theory, following hypothesis was conducted:

**H5:** There is a significant effect of risk perceiving on deceptive legal practices in Islamic banking customers.

GLM test results were shown in the Table 5.10.

**Table 5.10: Generalized Linear Model (Logit) Analysis Results for Effects of Significantly Correlated Factors on Ethical Behavior for Islamic Banking Customers**

Parameter	OR	Std. Error	95% Wald Confidence Interval		Hypothesis Test		
			Lower	Upper	Wald X <sup>2</sup>	df	p value
(Intercept)	10.58	0.92	8.78	12.39	132.30	1	0.001
Risk perceiving (Scale)	0.14	0.93	-0.04	0.32	2.30	1	0.129

**df: Degree of freedom.**

Generalized Linear Model (Logit) analysis results showed that effect of risk perceiving on ethical behavior of Islamic banking customers were statistically insignificant ( $p > 0.05$ ). Thus, **H5** hypothesis of the research was rejected. In other words, there is not a significant effect of risk perceiving on deceptive legal practices in Islamic banking customers.

#### 5.4.6. Effects of Risk Perceiving on Ethical Behaviors of Conventional Banking Customers According to Prospect Theory

For the effects behaviors on risk perceiving of conventional banking customers according to prospect theory, following hypothesis was conducted:

**H6:** There is a significant effect of risk perceiving on deceptive legal practices in conventional banking customers.

GLM results were shown in the Table 5.11.

**Table 5.11: Generalized Linear Model (Logit) Analysis Results for Effects of Significantly Correlated Factors on Ethical Behavior for Islamic Banking Customers**

Parameter	OR	Std. Error	95% Wald Confidence Interval		Hypothesis Test		
			Lower	Upper	Wald X <sup>2</sup>	df	p value
<i>Passively benefitting</i>							
(Intercept)	28.66	1.44	25.84	31.49	395.43	1	0.001
Risk perceiving	-0.52	0.15	-0.81	-0.23	12.35	1	0.001

(Scale)	23.16	2.05	19.47	27.55			
<b><i>Actively benefitting</i></b>							
(Intercept)	21.74	1.38	19.02	24.45	246.78	1	0.001
Risk perceiving	-0.40	0.14	-0.68	-0.13	8.11	1	0.004
(Scale)	21.35	1.89	17.94	25.39			

**df: Degree of freedom.**

According to generalized linear model, effect of risk perceiving on passively benefitting ( $B=-0.52$ ;  $p<0.01$ ) and actively benefitting ( $B=-0.40$ ;  $p<0.01$ ) were statistically significant. Thus, **H6** hypothesis of the research was accepted. In other words, there is a significant effect of risk perceiving on deceptive legal practices in conventional banking customers.

## CHAPTER VI

### DISCUSSION

#### 6.1. Interpretation of Results

In this thesis, the risk perceptions and ethical behaviors of Islamic and conventional banking customers were evaluated within the framework of prospect theory, the differences between them were analyzed, and the effects of the risk perceptions of both types of banking customers on ethical behavior were analyzed. In this way, it is aimed to obtain information about the ethical behavior of Islamic banking customers and therefore evaluate it within the framework of prospect theory.

As mentioned in the conceptual framework section of the study, prospect theory generally examines individuals' reactions or behaviors to stress, risk or a certain factor (Gao et al, 2021; Huang et al, 2021; Ruggeri et al, 2020). Although the general definitions made on this subject are that prospect theory suggests that individuals exhibit a pragmatic or utilitarian attitude, it is possible to talk about many different behavioral patterns, from a protective or avoidant approach to a cooperative attitude (Liao et al, 2023; Zhang et al, 2022; Hassija et al, 2020). Therefore, it is possible to state that the attitudes and attitudes of individuals in the face of any risk, possibility or uncertainty should be considered from a broader perspective, beyond the general ones known in the literature, such as in new conflict management or talent management approaches.

The main assumptions and proposed paradigms of prospect theory focus on the reactions of individuals to risks and uncertainties (Su et al, 2022; Wang and Wang, 2020). In this regard, to fully understand prospect theory, it is necessary to first briefly touch upon the concepts of risk and uncertainty. It is possible to define risk in general terms as the possibility of a negative situation or loss occurring, and generally negative possibilities are included in the risk theory (Ruggery et al, 2020; Wang et al, 2020; Zhao and Yue, 2020). It is a variable concept as to which of the many alternative situations that may be related to any situation is harmful or will

give negative results; It can take different values depending on time, place and environmental conditions. Therefore, it is possible to state that the concept of risk itself contains some level of uncertainty.

Uncertainty can be described as a lack of prediction regarding the outcome of a process, phenomenon or transaction (Gavriilidis, 2021; Altig et al, 2020; Deng, 2020). Generally, in daily routine operations, in processes that individuals constantly experience, the results are approximately certain. For example, when someone who eats is full and someone who is cold puts on warm clothes, these are situations or processes where the results are obvious. However, in an investment process, in various cases where external dependencies are high, the level of certainty gradually decreases and the individuals' level of prediction about whether the results of the phenomenon will be positive, negative or neutral may become increasingly low.

In any matter, since the outcome of a phenomenon is expected and desired to be good, it can be described as an expectation. However, the outcome of a process may be undesirable. At this point, the concept of risk emerges (Lee et al, 2022; Wang et al, 2022). Based on this, it is possible to define risk as the possibility of undesirable consequences of an uncertain process.

As a result of instinctive and social learning, individuals constantly tend to protect themselves. For this, they must be away from current risks and uncertainties. The further it is possible to be away from risks and uncertainties, the more individuals will be mentally relaxed and exhibit more normal behavior (Enke and Greaber, 2023; Noll et al, 2023). However, in situations where the risk is high or there are undesirable consequences, individuals will take various options and exhibit different behavioral patterns to minimize these risks (Gozgor, 2022; Settembre-Blundo et al, 2021). Prospect theory, in essence, examines the behavioral decisions that individuals have made or will take regarding the negative consequences they do not want, and generally assumes that individuals have a self-protective and pragmatic attitude.

In financial processes, external dependencies and processes, unlike individuals' daily lives or social environments, are heavily involved. Situations such as macroeconomic situations within the country, the interconnectedness of the economy, the impact of the economic level on social status, the obligation to care for the family, livelihood

problems, investing and saving for the future involve a high level of uncertainty (Kim et al, 2024; Caggiano et al, 2021). In this regard, for individuals to avoid a moral collapse or negative attitude, economic processes must contain optimum levels of uncertainty, both on a macro and micro scale (Ben Haddad et al, 2021; Ghosh et al, 2021). The overwhelming majority of studies on economic crises from past to present report that moral and social deterioration rises to the highest level in economic crises and that individuals tend to use it for their own personal interests by violating many general moral rules, especially social and community norms. Therefore, it is possible to state that economic processes carry with them the potential for a highly manipulative behavioral change.

Apart from financial and economic processes, one of the most important uncertainties of humanity can be described as religious beliefs. Although religions make references to the afterlife while regulating daily and social life, many unclear issues show that individuals make some behavioral changes in religious matters (Keswani et al, 2020; Tran, 2020; Sutrisno and Dularif, 2020). The most important issues in religious life are to fulfill the duties given by the Creator and to stay away from the prohibitions he has imposed. In this respect, the banking sector is seen as undesirable and harmful transactions in Islam, especially because banks carry out interest-bearing transactions. In fact, the haram rule regarding interest somehow manifests itself not only in Islam but also in all other religious beliefs. However, it can be stated that Islam, which is seen as the last religion, has the highest sensitivity on this issue and is given enough importance to establish an alternative banking system in institutional terms. In other words, although interest is considered haram in many religions other than Islam, the term Islamic banking, which is generally accepted in the world, is used only in Islam.

Although various names such as participation banking and financial partnership are used as alternatives to the term Islamic banking, it is possible to state that Islamic banking is generally more accepted globally. In some countries, such as Turkey, where most of the population is Muslim, but in accordance with the principle of secularism in the current laws, the name Islamic banking is not directly preferred. Instead, participation banking refers to a structure in which depositors are partners. For this reason, it is possible to state that Islamic banking has a much more inclusive and global meaning compared to participation banks.

Since interest is forbidden in Islamic banks, individuals call the income they will obtain from their investments by different names, but the fact that individuals earn money from money, apart from the work they do, has been one of the main criticisms of Islamic banking from past to present. The main criticisms of participation and Islamic banks are that these banking systems generally always make a profit, there is no possibility of loss, and that individuals earn money from money outside of their own business.

Ethical behaviors are related to the level of individuals' consideration of others and social norms in their actions, attitudes and behaviors, which are compatible with religious teachings. Although there are many different ideas and opinions regarding the basic origin, concept and source of ethics, ethical behaviors are basically associated with moral philosophy and sociology. According to this approach, individuals will behave ethically to the extent that they comply with the rights and freedoms of others and the rules and regulations of the social structure. The main concepts that come to the fore here are social norms. In general, it is possible to state that social norms are nourished by religious teachings.

Although many studies have been conducted on the Islamic banking sector, studies examining morality and risk perception at an ethical level within the framework of prospect theory are quite limited. In these studies, it can be stated that there is not much difference between Islamic banks and conventional bank customers, and that the existing difference develops within the framework of religious sensitivities.

Studies on risk in Islamic banks and conventional banks generally show that bank customers want to take as low a risk as possible. The general point revealed in studies between risk and return is that as the risk perception increases, the return also increases. In other words, the higher the return on something, the higher the risk will be. According to the results we obtained in my study, the risk perception levels of both Islamic bank customers and conventional bank customers were similar. Although there may be many reasons for this, it is generally possible to say that the risk perception structures of individuals who want to secure their investments or money through banks are like each other.

To earn more money in an economic system, the level of risk must either increase or some moral or social deficits must be resorted to. In other words, in a routine social

and economic system, the level of routine returns is certain, and for higher returns, individuals must give up ethical behavior. Or, in cases where some rules and regulations within the current system are deemed unethical, individuals may prefer methods that involve lower returns but are compatible with religious teachings. According to the results obtained in my research, ethical behaviors regarding active and passive utilization were generally higher in conventional bank customers and the differences were statistically significant. Although there may be many reasons for this result, it is possible to interpret it as the reasons why customers prefer Islamic banks are mostly ethical reasons. A similar situation exists in the distribution of usage levels of banking products.

## **6.2. Implications for Islamic and Conventional Banks**

The deviation from the prospect theory is greater in Islamic bank customers, and individuals do not resort to unethical behavior in a statistically significant way in cases of risk and uncertainty. However, in conventional bank customers, the relationship between active and passive utilization and risk is significant. In general, as risk perception increases, conventional bank customers avoid active and passive utilization behaviors. In the opposite case, that is, when the perception of risk decreases, active and passive benefit is possible.

## **6.3. Implications for Policy Makers**

The findings obtained in the study generally showed that the ethical perceptions of those who choose Islamic banking are statistically significantly higher than those of conventional bank users. Although this situation is an important and positive situation for Islamic banks, it is also true that there is a generally negative image of conventional banking in the country. In this respect, public administration and practices can include more education and public studies to increase the ethical perceptions of conventional bank users. Therefore, it would be beneficial for policy makers to include more studies on the financial and social functions of conventional banks.

The results obtained in the research also provide important results in terms of public confidence in Islamic banks, both in terms of financial institutions and in terms of including individuals who do not go to conventional banks for any reason into the financial system. This situation reveals that it is beneficial for policy makers to give more importance to Islamic bank practices in this regard and to support the studies to be carried out in this area.

#### **6.4. Limitations of the Study**

The most important research restriction is the lack of adequate measurement instruments for consumers' risk and ethical views in the context of Islamic banks. In this context, both conventional banks and Islamic banks require more specialized assessment instruments that assess ethics and risk structure. Since this research is a pioneer in the field, there is a dearth of literature on the subject, which makes it difficult to compare the findings with those of other studies in the field. This is another significant weakness of the study.

#### **6.5. Directions for Future Research**

The general result revealed in the research, that Islamic bank customers have high ethical perceptions, brings with it three different areas of study. The first of these is to reveal the main reason for this effect and difference and the factors affecting it. In this respect, the research can be analyzed in a multi-centered manner within a different belief and demographic system for further studies.

The second issue that emerged is the low ethical perception of individuals who turn to conventional banks. By including more scientific and field studies on the reasons, dimensions and effects of this situation, it is possible to analyze the subject qualitatively and quantitatively.

The third issue that emerged is the main reasons why Islamic banking appeals to individuals with high ethical perception. Studies to be conducted on the effects and directions of these factors can make serious and positive contributions to the field and literature.

## CONCLUSION

### 7.1. Summary of Findings

Risk is a significant consideration in financial transactions, particularly during the investment process. It affects decisions about investments at practically every stage, from conception to execution to termination. It is reasonable to say that risk is typically higher in short-term investments with large profit returns. When investing, people tend to be more careful when dealing with high-risk investment instruments. Put differently, longer-term and more sustainable investments carry a lesser risk. When people make this choice, moral concerns also surface because they are expecting large returns. Since the concepts of ethical and moral risk inevitably come up when there is a flow of value—that is, when the value increases greater than the revenue from production.

Risk rises in tandem with an increase in profit rate, which causes the investment term to shorten. In general, banks and bank clients steer clear of high-risk situations when it comes to banking. We achieved results from my investigation that are in line with the literature and this reality. Customers of conventional banks and Islamic banks in my sample both perceived risks as low, and there was no statistically significant difference between the two groups. This demonstrates that, in terms of how they perceive risk, Islamic bank clients are structured similarly to those of conventional banks.

Although cultural and social values, as well as religion, are the roots of the concept of ethics, religion is the most prevalent of these and serves as a conduit for the ideas that come from other sources. This condition was evident in my research, wherein Islamic bank consumers reported being more sensitive than typical bank customers in terms of both active and passive interest. This circumstance indicates that selecting an Islamic bank is more heavily influenced by religious considerations.

While customers' opinions and risk structures regarding offering passive benefits for conventional banking customers showed a significant association and regression effect in the correlation and regression analyses, there was no such effect for Islamic banking customers. Put differently, Islamic bank clients were significantly more

aware of their religious sensitivities and tended to be more conservative in their attitudes about risk and ethics. This suggests that, when it comes to ethics and risk, Islamic banks are a more alluring option than conventional banks. Within this framework, the research findings can be succinctly summarized as follows:

- Risk perceiving of Islamic bank and conventional bank customers do not show statistically significant differences.
- Total ethical perceiving, active and passive benefitting levels of Islamic and conventional banking customers show statistically significant differences.
- There is not a statistically significant relationship between risk perceiving and ethical behavior of Islamic banking customers.
- There is a statistically significant relationship between risk perceiving and ethical behavior of conventional banking customers.
- There is not a significant effect of risk perceiving on deceptive legal practices in Islamic banking customers.
- There is a significant effect of risk perceiving on deceptive legal practices in conventional banking customers.

According to the research's findings, Islamic bank clients often have low risk perception levels and a risk structure that is comparable to that of conventional bank customers. In terms of ethics, consumers of Islamic banks see ethics more highly than those of conventional banks, and they are more aware of ethical issues. While regular bank customers' ethical perceptions influence their risk perceptions as well, Islamic bank customers' ethical perceptions have no bearing whatsoever on the risk structure and perception.

## **7.2. Contribution to Knowledge**

A further contribution to the literature is the research's status as a trailblazer in the discipline. Regarding its conclusions about the ways in which clients of Islamic banks perceive their surroundings, the study makes a beneficial contribution to both the area and the literature.

### **7.3. Practical Contributions**

The most important practical contribution of the research is that the ethical perceptions of customers in conventional banks are low and that it guides the area of potential advertising and promotion strategies for customers in conventional banks. A similar situation is also important for the Islamic banking sector. The results obtained in the research provide important outputs in terms of customer segmentation in practice.

The practical outputs for public administration and policy makers are that they show the place and importance of Islamic banks in the financial system and reveal the need for advanced public studies in this area. In this way, it may be possible for individuals with a high perception of impact to be more involved in the financial system.

### **7.4. Final Thoughts**

The research findings can be broadened and implemented across additional domains to enhance comprehension of the topic, increase the number of Islamic bank clientele, and diminish the unorganized sector by means of Islamic banks. Customers of Islamic banks can employ multicenter research to look at many aspects of risk perception. The study's findings can be integrated with those of other risk and ethics studies conducted in the area to serve as a guide for field applications. Within the framework of the results obtained in the research, it is possible to make the following suggestions for further research, literature studies and field applications:

- The research was conducted with a limited sample and single center because Islamic banking is a relatively new subject for Turkey and due to time constraints. Research results can be expanded with a larger sample and multicenter participation.
- More specific and more distinctive risk and ethical perception measurement tools can be developed for Islamic banking customers.

- More extensive research can be conducted on social and religious factors that may affect the ethical perceptions of Islamic banking and its customers.
- Further studies can be conducted on the mechanisms of risk perceptions affecting customers' ethical behavior in conventional banks.
- By conducting multivariate analyzes on individuals' risk perceptions and ethical behavior or attitudes in banking preferences, these can be used effectively in bank management and processes such as advertising and marketing.
- Considering that religious sensitivities exist not only in Islam but also in other religious teachings, more comprehensive and multidimensional analyzes can be made regarding the relationship between religious belief, ethical attitude and risk.
- By referring to the development of the Islamic bank concept in the historical process and its social meaning, more research and scientific studies can be included on the issues of social structure and ethical interaction in Islamic banks.
- Further analyzes can be made on the relationships between Islamic banking and other structures built on Islamic sensitivity in terms of ethics and risk perception.
- Further research can be conducted in Islamic banks and conventional banks in terms of management, where risk and conflict management are discussed in the context of both employees and customers.
- In conventional banks, the impact of risk perception on the ethical behavior of bank customers involves moral risks. By analyzing the reasons for this, studies can be carried out to prevent it.

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## APPENDIX

### Ap.1 Research Survey

This survey was conducted as part of the doctoral dissertation titled:

"Comparison of Consumer Ethics Perception of Islamic Banking Customers with Conventional Banking Customers in the Context of Prospect Theory."

The purpose of this survey was to analyze consumer ethics perceptions of Islamic banking customers compared to conventional banking customers using Prospect Theory.

The survey was conducted among banking customers in Turkey and in Turkish.

Participation was completely voluntary and anonymous.

Respondents had the right to withdraw at any time without any consequences.

The estimated time to complete the survey was 6 minutes and was administered online.

### Survey Questions

#### Financial Experience and Investment Behavior

1. How experienced do you consider yourself in investing in financial products?
  - Very experienced
  - Somewhat experienced
  - Limited experience
  - No experience
2. Which of the following financial products have you invested in before?  
(Check all that apply)
  - Stocks
  - Bonds
  - Mutual Funds
  - Gold

- Real Estate
  - Cryptocurrencies
  - Other (Please specify)
3. Please check the bank products listed below that you are currently using or have used before.
- Time deposit account or participation account
  - Demand deposit account or current account
  - Credit card
  - Personal loan (vehicle, housing, consumer loan, etc.)
  - Investment account (Stocks, Gold, Foreign Exchange, Mutual Fund, etc.)
  - Bill payment
  - Insurance products (Life, housing, vehicle, travel insurance, etc.)
  - Pension products (Individual Pension)
  - Other (Please specify)
4. When you come across an investment opportunity, what do you usually do?
- I avoid taking risks, I prefer guaranteed lower returns.
  - I am open to taking risks for high returns.
  - I'm not sure

### **Risk Aversion and Decision Making**

5. Which of the following investment options would you prefer?
- The annual return on the investment is 40%, but remember that there are risks as with any investment.
  - The annual return on the investment is 40% and you can guarantee 90% of the investment.
6. Which of the following scenarios do you prefer?
- 80% chance to win 50,000 TL.

- Definitely win 40,000 TL.
7. Which of the following discount offers would you prefer?
- Save 30,000 TL with a definite 30% discount based on your current account balance.
  - 50% chance to save 60,000 TL with a 60% discount or 50% chance to get no discount.
8. Which of the following scenarios do you prefer?
- Definitely win 10,000 TL.
  - 50% chance to win 20,000 TL or win nothing.
9. Which of the following scenarios do you prefer?
- Definitely lose 10,000 TL.
  - 50% chance to lose 20,000 TL or lose nothing.
10. Which of the following savings account offers would you prefer?
- Earn 200,000 TL with a definite 20% annual return.
  - 50% chance to earn 400,000 TL with 40% annual return or 50% chance to earn 100,000 TL with 10% annual return.

### **Consumer Ethics**

11. Please indicate how much you agree with the following statements: I would prefer not to report a bank's mistake to the bank if it benefits me financially.
- Strongly disagree
  - Disagree
  - Neither agree nor disagree
  - Agree
  - Strongly agree
12. I would think it is okay to allow the bank to charge me a lower fee than it charges others.
- Strongly disagree

- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

13. I can take advantage of multiple banks' promotional offers for personal gain.

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

14. I can accept financial gain by taking advantage of loopholes in banking regulations.

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

15. I can use legally questionable financial practices such as tax evasion if they benefit me.

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

16. I may choose to provide false information to the bank in order to get a loan on more favorable terms or to have a more advantageous credit card.

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

17. If using the bank's services in a way not intended by the bank does not cause any problems, I may find this situation acceptable.

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

18. I might find it acceptable to receive a lower interest/profit rate due to a bank error, as long as no one is directly harmed by this situation.

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

19. There is nothing wrong with using a banking system that does not cause financial loss to others.

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

20. I would choose to report unethical practices of the bank to the necessary authorities even if it harms me personally.

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

21. I would prefer a bank that is more transparent and fair, even if they charge higher service fees.

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

22. I would prefer not to invest in a financial product that could harm the environment or society.

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

23. I might find it appropriate to manipulate bank employees to obtain more advantageous financial agreements.

- Strongly disagree
- Disagree
- Neither agree nor disagree

- Agree
- Strongly agree

24. I may choose to deceive the bank as long as it helps me achieve my financial goals.

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

25. I might find it appropriate to use strong bargaining strategies by putting pressure on bank employees to obtain better banking conditions.

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

## Demographics

26. What is your age?

- 18-24
- 25-34
- 35-44
- 45-54
- 55 or older

27. What is your gender?

- Female
- Male

28. What is your education level?

- Primary education
- Secondary education
- Bachelor's degree
- Master's degree
- Doctoral and above

29. What is your income level?

- Low
- Medium
- High

30. Which bank do you use (you can check more than one)?

- Türkiye İş Bankası A.Ş. (İş Bankası)
- Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (Ziraat Bankası)

- Türkiye Garanti Bankası A.Ş. (Garanti Bankası)
- Yapı ve Kredi Bankası A.Ş. (Yapı Kredi)
- Akbank T.A.Ş. (Akbank)
- Türkiye Halk Bankası A.Ş. (Halkbank)
- Türkiye Vakıflar Bankası T.A.O (Vakıfbank)
- QNB Finansbank A.Ş. (Finansbank)
- Denizbank A.Ş. (Denizbank)
- Türk Ekonomi Bankası A.Ş. (Teb)
- ING Bank A.Ş. (İng)
- Burgan Bank A.Ş. (Burgan Bank)
- Odea Bank A.Ş. (Odea)
- HSBC Bank A.Ş. (HSBC)
- Kuveyt Türk Katılım Bankası A.Ş. (Kuveyt Türk)
- Türkiye Finans Katılım Bankası A.Ş. (Türkiye Finans)
- Al Baraka Katılım Bankası A.Ş. (Al Baraka)
- Vakıf Katılım Bankası A.Ş. (Vakıf Katılım)
- Emlak Katılım Bankası A.Ş (Emlak Katılım )
- Other (please specify)

31. What is your relationship with the bank?

- Customer
- Employee
- Manager
- Other (Please specify)