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**Financial Scandals, and Ethical Judgments and Behavior of
Business Professionals: An Ordered Logit Analysis**

Abstract

The literature on business ethics has tested a variety of factors as determinants of ethical values and behavior. These factors include psychological predispositions such as Idealism and Relativism and a variety of demographic factors including gender, education, work experience, religious inclination and age. Other factors such as ethical code of conduct, work-place environment have also been tested. Generally, the results reported are mixed. A large number of major ethical violations has taken places over more than two decades. In spite of it there is hardly any research on ethical judgments and behavior in the finance profession. To the best of our knowledge, Hartikainen and Torstila (2004) is the only study that attempts an empirical determination of ethical judgments in finance, using survey data from Finland. They do not address ethical behavior. Finland is one of the most ethically compliant countries in the world and as such results using finish data may not be representative of many other countries. The current study investigates ethical value and behavior in the finance profession using US data. The survey questions for the study were constructed in the light of major ethical violations in the finance profession. The survey subjects were mostly senior business professionals of Fortune 500 companies. Since the independent variables – judgment and behavior – are categorical, we use an ordered logit model to assess the results of the study. The results show the following: (1) Demographic variables have little influence in determining ethical judgment and behavior in the finance profession (2) A subject's intended ethical behavior is strongly correlated with her ethical judgment (3) Most subjects question the behavioral intention of other business professionals. Specifically, they deny that they will engage in unethical behavior, but affirm that other business professionals will. This raises the question of whether business professionals are truthfully revealing their own behavioral intentions.