

Relationship Between Ethical Work Climate Dimension and Felt Obligation Among Account Officers in Rural Bank

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Abstract

This study aims to reveal how each dimension of the ethical work climate is perceived by account officers working in rural banks. Empirical testing for this research model is based on the premise of which dimensions of the ethical work climate most encourage account officers' sense of duty on the job. Based on the theory and previous empirical results, this research focuses on how each dimension of ethical work climate can affect the felt obligation of account officers. Quantitative methods were used in this study with data analysis techniques using multiple regression analysis. A total of 64 account officers who work in rural banks in Mengwi District, Badung Regency Bali, were the respondents in this study. The findings in this study reveal that two of the four dimensions of ethical climate have a significant effect on felt obligation. As one of important dimension of ethical climate, caring founded with the largest value on felt obligation compared to independence. Meanwhile, two other aspects (law & rules and instrumental) were found to have no significant effect on the felt obligation of account officers. The moderate level of model summary can indicate opportunities for further exploratory studies in future research.

Keywords: Account Officers, Ethical Climate Dimension, Felt Obligation, Rural Bank

Introduction

Bank is an institution engaged in financial services that contributes to economic and business development in society. As one of the institutional forms of a bank, the existence of a rural bank is very strategic considering that its location in a rural area increases the potential for financial inclusion of the surrounding community (Onyejekwe, 2001; Sunardi & Pradesa, 2019). The role of a rural bank or BPR (in Indonesia known as *Bank Perkreditan Rakyat*) is very beneficial in absorbing employment opportunities for improving the community's development in the microeconomic sector. In practice,

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the activities of Rural Banks are indeed not as numerous as those of commercial banks. BPRs are created as microfinance institutions. For this reason, BPRs are also known as banks that serve and meet the needs of micro, small and medium entrepreneurs whose locations are close to the reach of BPRs. It is different from the existence of village-owned enterprises and village funds in the village government that have been managed to improve community welfare (Pradesa & Agustina, 2020; Wijayanti & Taufik, 2022). The rapid cultivation of BPR in rural areas cannot be separated from the key to success in providing service facilities to micro, small and medium enterprises (MSMEs), such as locations that were close to the community, simpler service procedures to customers, and flexibility in loan patterns and models. Thus, so many banks (both rural, conventional, and even Islamic banks) that have sprung up, making competition tougher for similar financial institutions.

Despite being one of the agents in the community's economic growth, especially in rural areas, the challenges that faced by rural banks are increasing day by day. The position of rural banks is actually not quite enough, because of their limited assets and access to society. Rural banks have no more freedom from other financial service institutions that serve people in rural areas such as cooperatives and BUMDes. The demand from its stakeholders to remain profitable as well as accountable is an important basis in the management of rural banks. Therefore, maximizing the assets owned by the banking company is a strategic step in strengthening efforts to achieve goals. In order to respond to the challenges of increasing competition, bank employees can support increased added value for rural banks to compete. Work results or outcomes produced by employees are an important contribution to improving bank quality (Awan & Asghar, 2014; Kaitana & Adolfini, 2021; Marimin & Santoso, 2020).

While at the micro level in the organization, working in the banking sector requires strong competence and integrity for employees because the financial services sector is one of the sectors that are prone to potential risks (Nengsih & Meidani, 2021; Ozili, 2015). Some potential undesirable events such as bad credit, fraud (Saraswati & Agustina, 2022) may arise if the organization including its employees is not managed properly, including in terms of integrity and morality. Furthermore, the account officer as the front line of the bank has more attachment when carrying out the work assigned by the bank (Purwayoga et al., 2019).

From an individual perspective, a sense of obligation is an interesting thing that is shown by someone in completing his work. Initially felt obligation was part of the social exchange mechanism within the organization (Arshadi, 2011; Eisenberger et al., 2001). A felt obligation is a special form in the mechanism of a person's attitude toward his work (Maynard-Patrick & Baugh, 2019; Pradesa et al., 2021), with the most important focus being that this form of attitude is considered different from the normative form of organizational commitment (Pradesa et al., 2018). For this reason, it is very interesting to examine felt obligations in accordance with their relevance to the type of organization being studied, in this case a banking organization.

The concept of ethical climate has been widely recognized by various authors and many areas of research. Previous studies emphasize the importance of managing ethics in organization, including in the banking sector (Sunardi & Pradesa, 2019; Yen, 2017). Managing ethic tends to be mandatory in organization. Ethical climate which was first conceptualized by Victor & Cullen (1988) considered as an form of organizational culture and is expressed as the idea that processes have ethical content with organizational implementation, organizational norms, and direct organizational effects on this implementation. The ethical climate is specific organizational policies and procedures that contain ethical values (Martin & Cullen, 2006; Victor & Cullen, 1988), and it is not a normative construct to measure how ethics takes place in an organization, but can be used to enforce an indicator of ethical thinking in an organization (Cullen & Bronson, 1993). Achieving organizational goals requires support from each individual in it so that an ethical work climate can be created within the organization. The decision-making process in the organization must be made consistently without any personal biases by using as much accurate information as possible and representing the interests of the organization's members in ways that are following the ethical values of the organization.

Perceptions of organizational climate can deviate from formal policies established by organizations intended to address certain dimensions of the workplace (Shafer et al., 2013). Basically, perception is still considered important, because it affects many other individual and organizational phenomena. The ethical climate is one type of specific work climate (Victor & Cullen, 1988; Wimbush et al., 1997) that perceived by individuals in organization, and this construct has taken several related forms in the previous literature (ethical climate or ethical work climate). The common thread that can be drawn through this definition is the notion (1) that the ethical climate involves a shared perception

of group norms regarding organizational policies, procedures, and practices and (2) that these norms are related to behavioral differences between right and wrong (that is, ethics) in organizations (Martin & Cullen, 2006; Victor & Cullen, 1988).

Different perceptions of an organization's ethical environment could drive different individual performances (Yen, 2017). When employees perceive their ethical environment as selfish, productivity, quality, and work efficiency will be much higher than that of a benevolent environment. The instrumental ethical climate founded could encourages a direct and also traumatic effect on employee performance (Golchi et al., 2019). Furthermore, it is quietly acceptable to prevent the rise of an instrumental climate by developing educational programs to improve the mental health of employees and organizational development.

The application of ethics in organizations is very important and needs to be implemented in various life activities to create good moral values. Ethics can certainly be used as the basis for individual attitudes and behavior in an organization. Therefore, it is believed that the ethical climate can influence the attitudes and behavior of employees formed in an organization. Some of the things that are associated with an ethical work climate are more about how individuals are interconnected and regulate their respective attitudes and or behavior. Starting from the original ethical work climate theory (Victor & Cullen, 1988), there has been a lot of research focusing on the consequences of ethical climate on the perceptions and behavior of employees. For example, Schwepker (2001) tries to explore the relationship between an ethical work climate associated with job satisfaction, organizational commitment, and turnover intention.

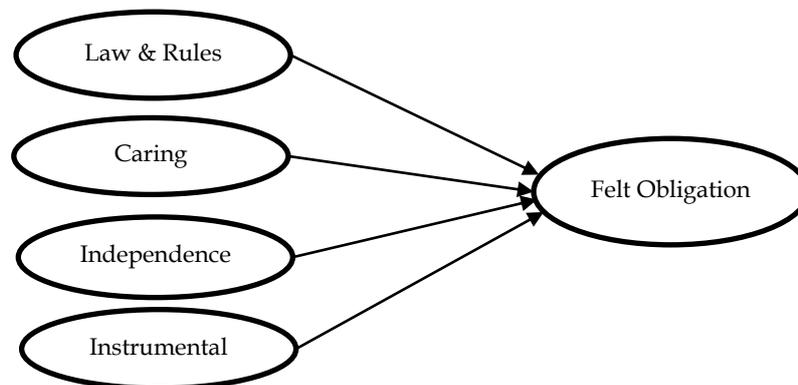


Figure 1. Conceptual Framework

Source: Developed in this study

Previous empirical results have tested the effect of ethical climate on individual attitudes or behavior, such as job satisfaction (DeConinck et al., 2013; DeConinck, 2011; Yurtkoru et al., 2018), organizational commitment (Borhani et al., 2014; Huang et al., 2012; Shafer et al., 2013) or specifically affective commitment and felt obligation (Dharmanegara et al., 2016; Pradesa, 2018; Pradesa et al., 2019) and turnover intention (Mulki et al., 2006; Schwepker, 2001). Therefore, the ethical work climate is seen as an established concept and there have been many reviews of it across organizational sectors. However, so far, not many have studied it comprehensively with the felt obligation. Although some empirical results test the antecedent of felt obligation is the ethical work climate (Pradesa et al., 2019, 2021), there are no studies that emphasize the multidimensional nature of the ethical climate other than studies that review the ethical work climate in an interdependence or non-causal manner (Sunardi & Pradesa, 2019). The generalizability of much-published research on this issue is problematic. Thus, one form of novelty in this study is to examine the effect of each aspect or dimension of the ethical work climate on the felt obligation perceived by the account officer.

Based on Figure 1 regarding the conceptual framework, several research hypotheses can then be drawn up, including the following:

- H1: Higher law & rules perceived by account officers will lead to their higher felt obligation
- H2: Higher caring perceived by account officers will lead to their higher felt obligation
- H3: Higher independence perceived by account officers will lead to their higher felt obligation
- H4: Higher instrumental perceived by account officers will lead to their higher felt obligation

Methods

Referring to the conceptual framework in the research, quantitative methods are used to answer important questions from the research about aspects of the ethical climate that have the biggest role in influencing the felt obligations of account officers in rural banks. The Demographics Questionnaire was developed by the researcher to obtain descriptive information about participants. Information on participant gender, age, and educational background was included. The demographic questions were presented to participants at the beginning of the survey. Demographic data collected were analyzed with descriptive statistics. The recruitment of participants was coordinated and collaborated with human resource department in rural banks. In this study, the research location was determined to be located in Mengwi District, Badung Regency, Bali Province, with a target population of account officers working at Rural Banks (BPR) in the Mengwi District area, Badung Regency, Bali Province. The selection of employees who work at BPR, because BPR is a form of banking institution has launched the empowerment of its employees without exception. A questionnaire administered online is distributed through a group or association of account officers working at a rural bank in Mengwi, Badung, Bali. Participants who agreed to be a part of this study were given link for online questionnaire to access the five instruments and demographic data.

This study uses a quantitative method, which prioritizes the focus of research by referring more to the role of satisfaction and commitment in encouraging the impact of an ethical work climate on lecturer performance. Therefore, the causality model on the impact of the ethical climate dimension on felt obligation was developed in this study. This study is also categorized as explanatory research, in which will analyze and prove a causal effect between relationship among variables in model, namely the ethical climate dimension that consist of Law & Rules, Caring, Independence, and Instrumental, while the dependent variable in this model is felt obligation. Higher scores on the ethical dimension subscale represent participants' higher occurrence of reflecting on the moral or ethical issues of their daily life in organization. The nature of this research is positivist research, which is quantitative research on the measurement of the constructs that make up the model and analyzing the relationship between one construct and another. To determine the usefulness of the set of predictor variables for felt obligation, multiple linear regression analysis was used. Standard multiple regression was chosen because of the exploratory nature of the study and because there was no prior empirical evidence that was specifically consistent with the model proposed.

Results and Discussion

The object of research in this study is account officers who work in a rural bank in Kabupaten Mengwi, Badung Bali. A survey to measure the ethical climate dimension and felt obligation of public officers was disseminated to 87 potential participants (who identified as registered account officers). The data that has been collected is then analyzed both descriptively and inferentially. The results of descriptive statistics inform the extent or value of each variable observed in this study. As for information on the characteristics of respondents, it can be seen in Table 1 which shows the profile of respondents based on gender, age, and education. Of the 87 potential respondents, 64 replied resulting in a 73,656 percent response rate. Among 64 respondents, 67.2 percent were male officers, 60.93 percent held bachelor's degrees, 39.07 percent held diploma degrees and 48.4 percent were between the ages of 25 and 35 with only 12.5 percent over the age of 45. The average age of the respondents was 34.04 years (SD=6.185, Min 24, Max 51). The profile of respondents indicates they are well matured, educated, and decently employed and understand the value of their responses. The descriptive statistics are shown in Table 1.

Table 1. Participant Demographic Characteristics

Demographic	Frequency	Percent
Gender		
Male	43	67.2
Female	21	32.8
Age		
Under 25	6	9.4
25 - 35	31	48.4
35 - 45	19	29.7
Above 45	8	12.5
Education		
Diploma Degree	25	39.07
Bachelor Degree	39	60.93

Source: Data Processed (2022)

The results of data processing show that the value of law and rules (X_1) is categorized at a moderate level (mean = 3.723), then caring (X_2) is found at a moderate value (mean = 3.875), then independence (X_3) is found at a moderate value (mean = 3.816), as well as the value of the instrumental (X_4) at a moderate value (mean = 3.820). The dependent variable, namely felt obligation (Y_1), was found to have a good value (mean = 4.109). Of the five latent variables observed in this study, only felt obligation was found to have a good value, while the other four variables (all of them were independent variables) in the research model were categorized as moderate. These findings indicate that felt obligation as the only variable observed in this study is in a good category.

Table 2. Validity and Reliability, and Mean Value

Variable	Indicator	Factor Weight	r	Remark	Mean
Law & Rules (X_1) $a = 0.771$ mean = 3.723	Important for people in the organization to follow procedures and professional standards	.752	.542	Valid	3.70
	People in the organization consider procedures while making decisions	.631	.426	Valid	3.58
	People in the organization follow the principles of the professional code of ethics	.869	.717	Valid	3.88
	Law or codes of ethics in the organization are considered a major consideration	.831	.638	Valid	3.73
Caring (X_2) $a = 0.875$ mean = 3.875	People in the organization would care for each other's well-being	.877	.767	Valid	3.83
	People in the organization help each other	.876	.764	Valid	3.91
	A major consideration for people in the organization is what is best for everyone	.881	.769	Valid	3.95
	People in the organization believe the most important thing to be done is teamwork	.783	.637	Valid	3.81
Independence (X_3) $a = 0.822$ mean = 3.816	Each person in the organization should decide what is right or wrong	.772	.595	Valid	3.89
	In the organization, people are controlled by their sense of personal ethics	.874	.740	Valid	3.77
	In the organization, people decide on what is true or false in making good decisions	.825	.666	Valid	3.88
	People in this organization would decide by themselves what is good or bad	.761	.586	Valid	3.73
Instrumental (X_4) $a = 0.907$ mean = 3.820	The most efficient one in this organization is always the right treatment methods	.945	.879	Valid	3.83
	The major responsibility among people in this organization is to control costs	.770	.638	Valid	3.73
	Concerning organizational's interests above anything else	.873	.776	Valid	3.89
	In this organization, working methods are acceptable as long as no harm	.945	.879	Valid	3.83

Felt Obligation (Y ₁) a = 0.798 mean = 4.109	Feel personal obligation to help achieve organizational goals	.510	.356	Valid	3.88
	Feel a personal obligation to ensure high-quality products produced	.830	.681	Valid	4.13
	Feel the obligation to take time from personal schedule	.874	.759	Valid	4.20
	Feel obligation to serve and satisfy others	.702	.521	Valid	4.13
	Feeling owe to have 100 percent in work	.767	.599	Valid	4.22

Source: Data Processed (2022)

The test results of confirmatory factor analysis show that Law and rules (X₁) are most reflected by people who first follow the principles of the professional code of ethics with the largest factor weighting value ($\lambda = 0.869$). Account officers, working in a rural bank must consider the factors of law and rules that apply and are set in a bank. Concerning these laws and rules, the most important thing is how employees must follow the principles or professional code of ethics that apply in the organization, especially in financial services such as banks. It was also found to be of the highest value in the field of how account officers consider the principles of a professional code of ethics when working in rural banks.

While caring (X₂) is most reflected by major consideration is what is best for everyone, with a factor weight (λ) = 0.881. This finding reflects the condition that for account officers working at rural banks in Mengwi Badung Regency, it is very important to consider what is best for everyone who works in the organization. The ethical work climate which is manifested in the form of caring is an important thing to be managed properly in rural banks. The facts on the ground show that this is in line with what the account officers who work in the rural bank feel. Furthermore, independence (X₃) was found to be most reflected by people who are guided by their sense of personal ethics ($\lambda = 0.874$). As one of the ethical climate dimensions, independence is confirmed to be an important thing that reflects the ethical climate in the rural bank, Mengwi Regency, Badung Bali. Independence is most reflected by people being guided by their sense of personal ethics ($\lambda = 0.874$), which shows that account officers who work in rural banks in carrying out activities or completing their work are always guided by their ethics. All forms of personal moral and ethical values have become a consideration for account officers to support the completion of their work better. Instrumental (X₄) is most reflected by working methods that are acceptable as long as no harm ($\lambda = 0.945$). Working methods for account officers in rural banks are important to be recognized, planned, and well-defined in the implementation process. For account officers, the method of completing work is important in the banking world because specifically, account officers have responsibilities in handling various kinds of activities related to customers. All forms of acceptable work methods are methods of carrying out work that does not cause harm or harm to stakeholders. Felt obligation (Y₁) is most reflected by the feeling of obligation to take time from the personal schedule ($\lambda = 0.874$). For account officers who work in rural banks, these results indicate that employees feel obliged to give their time to complete work. In addition, the facts on the ground show that the account officer feels obliged to give 100 percent of their energy to doing his job. This feeling of obligation is important as a form of mechanism for individual attitudes towards their work, and this also applies to account officers who work at rural banks in Mengwi Regency, Badung Bali.

Table 3. Beta Coefficient

Relationship Among Variables	Beta Coefficient	t-statistic	Sign	Remarks
Law & Rules → Felt Obligation	0.379	1.977	0.053	Not Sig.
Caring → Felt Obligation	0.559	2.295	0.025	Significant
Independence → Felt Obligation	0.328	2.082	0.042	Significant
Instrumental → Felt Obligation	-0.503	-1.813	0.075	Not Sig.

Source: Data Processed (2022)

After the data is processed to test the level of validity and reliability, multiple regression analysis is used to analyze the extent of the effect of each relationship among variables in this model. Table 2 and Figure 2 inform the results of data analysis by using multiple regression analysis. The results show findings about the value of the coefficient of influence or the value of the beta coefficient for each relationship between variables in the research model shown. In testing hypothesis 1, higher law & rules perceived by account officers will lead to their higher felt obligation. Findings show that law & rules had a no significant effect on felt obligation ($\beta_1 = 0.379$, $p > 0.05$). Therefore, hypothesis 1 was

rejected, because there is no significant effect of law & rules on felt obligation directly. Empirically, more acceptable laws and rules could not lead to higher felt obligations among account officers who work in a rural bank in Mengwi, Badung. Testing hypothesis 2, higher caring perceived by account officers will lead to their higher felt obligation. Findings show that caring had a significant effect on felt obligation ($\beta_2 = 0.559$, $p < 0.05$). Therefore, hypothesis 2 was accepted, because there is significant effect of caring on felt obligation directly. Empirically, more caring climate could lead to higher felt obligations among account officers who work in a rural bank in Mengwi, Badung.

Testing hypothesis 3, higher independence perceived by account officers will lead to their higher felt obligation. Findings show that law & rules had a no significant effect on felt obligation ($\beta_3 = 0.328$, $p < 0.05$). Therefore, hypothesis 3 was accepted, because there is no significant effect of independence on felt obligation directly. Empirically, more acceptable independence perceived by account officers could not lead to higher felt obligations among account officers who work in a rural bank in Mengwi, Badung. Testing hypothesis 4, instrumental has a positive and significant effect on account officers felt obligation. Findings show that instrumental had a no significant effect on felt obligation ($\beta_4 = - 0.503$, $p > 0.05$). Therefore, hypothesis 4 was rejected, because there is no significant effect of instrumental on felt obligation directly. Empirically, more acceptable instrumental aspect in organizational climate could not lead to higher felt obligations among account officers who work in a rural bank in Mengwi, Badung.

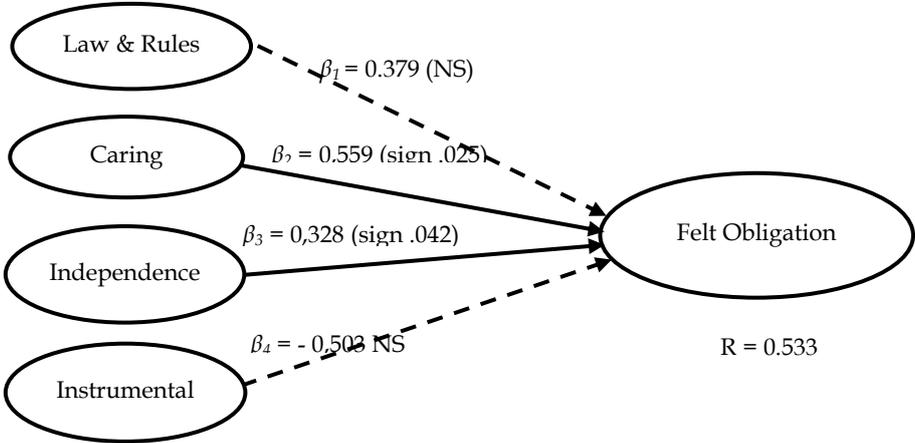


Figure 2. Path Coefficient
Source: Data Processed (2022)

An important finding in this study shows that of the four aspects of ethical climate that are observed, only two have a significant effect, which is caring and independence. The largest coefficient value is founded on the effect of the caring variable on felt obligation ($\beta_2 = 0.559$; sign .025). Meanwhile, independence has a moderate effect ($\beta_3 = 0.328$; sign .042) on felt obligation. The other two variables, which are law & rules ($\beta_1 = 0.379$; sign .053) and instrumental ($\beta_4 = - 0.503$; sign .075) were found to have no significant effect on felt obligation.

Laws and rules are things that cannot encourage individual feelings to feel obliged to their job. The coefficient value of the effect found is actually at a moderate value, however the significance value founded is above the critical point. This finding is interesting if considering at how financial institutions such as banks have a strict regulatory and supervisory basis in their management. The legal basis and rules are believed by account officers to be not important things that can encourage obligations in completing work to help the organization achieve its goals. However, the fact that law & rules are the things that account officers value the least opens a new veil of how the ethical work climate prevailing in the organization does not play an important role in making employees feel obligated on the job.

The interesting thing about the value of the coefficient of influence on the path of instrumental influence on felt obligation was found to be insignificant. The findings might have far more interesting if the effect assessed were significant. Instrumental as an aspect of the ethical climate was found to have no significant impact on the felt obligation account officer in rural banks. Although on the one hand the instrumental shows a negative coefficient value, in the sense that the value of the effect is inversely proportional. The higher the instrumental value perceived by the account officer working in the rural bank, the lower the felt obligation he feels. This is interesting considering that one of the

most important things shown in the instrumental aspect is about being concerned with the institution's interests above anything else. The findings of this study confirm previous research (Dharmanegara et al., 2016) that instrumental has a non-significant influence on the form of attitudes related to the organization (affective commitment to the team). One question that needs to be asked further is whether instrumental considered as unique dimensions of the ethical climate prevailing in the organization.

From the summary of the model obtained based on data analysis, it is known that the R-square value is 0.533 which means that 53.30 percent of felt obligation can be explained by law & rules, caring, independence, and instrumental. While the remaining 46.70 percent are factors other than those in this research model. This value is categorized at a moderate level, so it can open up opportunities to examine factors that are not yet included in this research model. This finding suggests that from individual perspective, account officer's specific part of the ethical climate is critical in explaining his or her felt obligation. Whether organizations want to enhance their employees' felt obligation or not, assuring its employee with an experience of a positive caring and independence climate is important to create consensual perception of a high organizational ethical climate among employees. Compared with the previous empirical result and theoretical lens of ethical climate, findings show that rural banks with a higher ethical climate may not always be able to influence a greater positive attitude and behavior among its officers, because a higher ethical climate gives rise to a more dimensional aspect.

Ethical climate focuses on the way the environment is experienced by employees (Arnaud, 2010; Arnaud & Schminke, 2012; Elçi & Alpkan, 2009). Ethical climate measures the quality of the shared perceptions held by employees regarding the policies, procedures, and practices related to ethics in the workplace. Focus organizations such as rural banks should identify the sources of moral reasoning used by account officers to apply ethical criteria found in organizational environments related to their daily work. The level of the summary model shows a moderate value, thus allowing further exploration of other explanatory variables that have not been observed in this study. In the context of work, the ethical climate in rural bank organizations is more indicated by the presence of caring and independence. Both proved to be able to show an important influence in shaping the sense of duty of account officers. In the long term with increasingly complex organizations and increased risks for rural banks, how an ethical work climate can encourage positive feelings of employees towards their work is one of the important assets in managing the organization.

Conclusion

As an institution providing financial services, rural banks have an important role in providing financial services to the surrounding community. As the front line of financial services for customers, the account officer at rural bank Mengwi, Badung Bali has a good level of felt obligation. The sense of obligation to the account officer's job was revealed to be most influenced by the ethical climate dimension of caring. In addition to caring, the independence aspect at work is something that can increase the felt obligation of the account officer. On contrary, both law & rules, as well as instrumental, were found not to be significant in increasing felt obligation. The moderate level of diversity of the model allows for further exploration of other variables outside the ethical work climate dimension that may affect felt obligation. Whereas account officers in rural banks tend to be more concerned and obligated with their job, they have a very definite awareness of the caring and independence that exist in the ethical climate of the organization.

This study shows the importance of ethical work climate in influencing felt obligations for account officers in rural banks. Even so, it is noted in the relationship that not all aspects of the ethical work climate affect the felt obligation. For rural banks in Mengwi, Badung Regency, Bali, it is important to strengthen the existing regulations in increasing the felt obligation for account officers. While the instrumental aspects of the work climate need to be managed properly because this is found to have the potential to reduce the felt obligation of account officers.

This research uses the object of study in rural banks which have different characteristics from other companies. It is difficult to generalize the findings to all account officers working in a rural bank. Furthermore, the generalization of the findings remains limited because this study was conducted in one area only Badung Regency, Bali. Further research needs to be done for different objects to enrich the analysis and make a better generalization of the results. Replicating this study with a larger sample would allow better generalizability of the findings.

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