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Reframing Ethical Banking: Dimensions of Governance and Customer Perspectives on Universal Bank Practices in the Post-Pandemic Philippines

Jesuner F. Gurrea and John Vianne B. Murcia

ABSTRACT

Ethical dilemmas in banking—ranging from conflicts of interest to weak consumer protection—pose persistent challenges for universal banks tasked with balancing profit motives and public accountability. The COVID-19 pandemic intensified these tensions, reshaping regulatory expectations, accelerating digital transformations, and raising new concerns over transparency, client trust, and institutional integrity. Despite these developments, there remains a limited understanding of how universal banks in developing economies, particularly in the Philippines, have realigned their ethical practices in response to the pandemic's governance implications. Anchored in public administration and stakeholder theories, this study investigates the evolving contours of ethical banking practices through the lens of customer experience in Davao City. Utilizing a descriptive-exploratory design and exploratory factor analysis (EFA), data were gathered from 202 universal bank clients using a 45-item scale instrument developed from in-depth interviews. The results surfaced five critical dimensions of ethical banking: security and fraud prevention, customer relationship and support, digital banking and payment innovation, credit management and monitoring, and lending flexibility and support. These findings not only contribute to the empirical refinement of ethical banking frameworks but also offer actionable insights for regulators, financial intermediaries, and policymakers aiming to uphold ethical standards in line with the Financial Consumer Protection Act (RA 11765), BSP Circular No. 1140 on cybersecurity, and the broader public governance agenda of inclusive and accountable financial systems

Keywords: *banking, ethical banking practices, universal banks, exploratory factor analysis, Philippines*.

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I. INTRODUCTION

Challenges in ethical banking practices are inevitable and pose significant threats to the sustainability and public accountability of banks, particularly during times of economic disruption such as the COVID-19 pandemic. From a governance standpoint, the pandemic exposed not only systemic vulnerabilities in financial systems but also limitations in regulatory oversight and administrative preparedness (Bayrakçeken, 2024). The global banking sector faced three critical challenges during this period: navigating prolonged low interest rates, complying with emergency financial regulations, and contending with emerging shadow banks and digital financial service providers (Hlawiczka & Tung, 2024; Vives et al., 2020). Instruments such as the Basel III framework, designed to strengthen regulation and risk management in the banking sector, became a central point of reference during the crisis (Petrović & Trifunović, 2024). Yet, despite these constraints, banks took on quasi-public roles—extending credit, facilitating relief, and advancing digital access (Baradaran, 2020). These rapid transitions, however, raised concerns about adherence to ethical principles, transparency, and the erosion of consumer trust—core concerns in both banking governance and public administration (Beck, 2020).

Globally, countries enacted financial support mechanisms such as the U.S. CARES Act and China's targeted loan relief schemes to stabilize their economies through bank-mediated channels (see Baradaran, 2020; Simmons, 2024). These programs placed financial institutions at the intersection of market sustainability and state-led recovery efforts, highlighting the need for ethical decision-making amid regulatory flexibility. In public administration, this illustrates the classic tension between efficiency and equity, where administrative discretion must be balanced against

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the equitable distribution of public resources (Miller, 2000). The Financial Stability Board (FSB) and International Monetary Fund (IMF) provided governance guidelines for these interventions, reinforcing ethical obligations. Yet the complexity of implementation revealed the difficulty of aligning institutional integrity with rapid policy responses (Bennedsen et al., 2020; Henning, 2020).

Additionally, financial institutions continue to recalibrate their business models in response to legislative and public governance imperatives. The European Union's Sustainable Finance Disclosure Regulation (SFDR) and the United Nations' Principles for Responsible Banking emphasize the role of financial actors as stewards of ethical, environmental, and socially responsible practices. In the Philippines, parallel developments include BSP's issuance of Circular No. 1085 (2020) on Sustainable Finance and Circular No. 1128 (2021) mandating Environmental and Social Risk Management (ESRM) frameworks. These frameworks signal the growing recognition of banks as actors within the governance architecture—bound not just by profitability but by public service mandates. Ethical banking, in this regard, is not only a corporate function but a governance imperative grounded in constitutional values, citizen rights, and development goals (Kiruthika, Gowrishankar & Kumar, 2024).

In the Philippine context, ethical challenges in banking were shaped by a governance environment marked by resource constraints and uneven regulatory capacity. The Bayanihan to Heal As One Act (Republic Act No. 11469) and Bayanihan II (RA 11494) mandated the financial sector to extend debt relief and leniency in credit policies. These were complemented by BSP Circular No. 1083 (Bangko Sentral ng Pilipinas, 2020b) which offered relief on loan payments and temporarily relaxed KYC protocols. While these measures were instrumental in preserving financial access, they also introduced governance risks, such as increased non-performing loans, weakened customer verification, and heightened fraud vulnerabilities (Bangko Sentral ng Pilipinas, 2020a). Moreover, the regulatory leniency tested the ethical boundaries of banks operating within a loosely monitored environment—raising questions about institutional accountability, risk mitigation, and long-term sustainability of trust-based banking.

Davao City, as Mindanao's economic nerve center, experienced these dynamics acutely at the local governance level. Banks, in partnership with city officials and barangay leaders, adjusted their operations in real-time to deliver digital services, recalibrate lending conditions, and sustain credit flows to households and MSMEs (Binaluyo, Santos & Agustin, 2024; Serafica et al., 2020). These actions paralleled local government innovations guided by the Local Government Code of 1991 (RA 7160), particularly in fiscal administration and frontline service delivery. Yet, ethical questions emerged regarding equity in access, digital exclusion, and consumer protection (Orencia, 2023). The reduction in face-to-face transactions complicated relationship-based banking, while inconsistent implementation of relief guidelines across branches exposed gaps in internal governance. In addition, banks continue to reengineer their governance systems to meet the demands of ethical and responsible banking. Their renewed focus on transparency, accountability, and customer-centered innovation parallels principles enshrined in the Code of Conduct for Banks in the Philippines issued by the Bankers Association of the Philippines (BAP) and is aligned with BSP's Financial Consumer Protection Framework (Bangko Sentral ng Pilipinas, 2022).

While there is growing literature on ethical banking, most of it centers on regulatory compliance and institutional design. There remains a critical knowledge gap concerning citizen perception of banking conduct—especially during crises when transparency, fairness, and accountability are tested. The Data Privacy Act of 2012 (RA 10173) becomes particularly relevant here, as concerns about personal data security and the ethical use of digital platforms became central to customer trust. Stricter lending standards, hidden fees, and unequal access to financial relief during the pandemic created negative perceptions of institutional fairness and service equity (De Castro et al., 2021; Ulep et al., 2022).

Finally, the ethical dimension of banking must be understood as an integral component of public sector values, echoing the Administrative Code of 1987 which stresses accountability, integrity, and citizen-orientation in all sectors serving the public.

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As argued by Glyde (2019), ethical banking involves adherence to moral principles that guide institutional decision-making and shape the relationships between financial institutions, citizens, and the state. This ethical infrastructure fosters social cohesion and economic stability by reinforcing norms of responsible governance, particularly during periods of systemic stress. By viewing banks as governance institutions, this study contributes to the broader public administration discourse, exploring how ethics, accountability, and participatory trust-building coalesce in shaping the post-pandemic future of ethical banking in the Philippines.

The existing literature on ethical banking during the COVID-19 pandemic underscores several critical dimensions, including customer engagement, digital transformation, loan assessment criteria, and risk management strategies. Studies (e.g., Dela Peña, 2024; He et al., 2017; Putrevu & Mertzanis, 2024; Tanael, 2023) highlight the increasing reliance on digital platforms to foster customer relationships, as well as the need for adaptive lending policies that reflect evolving economic conditions. A significant focus is placed on customer due diligence as an ethical obligation, particularly in mitigating fraud risks exacerbated by the rise of online transactions (e.g., Dahal, 2024; Komandla, 2023; Matthews, 2022). Given the growing susceptibility to financial misconduct in digital banking, thorough customer background checks have become an essential practice to assess risks before onboarding new clients, ultimately preventing financial crimes and fraudulent activities.

Despite these insights, there remains a critical research gap in understanding customer perceptions of the ethical banking practices and innovations that emerged in response to the pandemic. While prior studies have explored policy adaptations and institutional perspectives, limited research has examined how customers evaluate these modifications in terms of maintaining ethical banking standards. In the context of ethical banking practices in Davao City, banks had to balance financial resilience with customer support while also engaging in social responsibility efforts during the pandemic. Consequently, there is a dearth of research within the national sphere that critically reassesses the ethical banking standards in light of the ongoing pandemic. During the COVID-19 pandemic, which has engendered a notable dichotomy between the imperatives of public health and the imperative of maintaining economic stability (Armsperger, Bendell & Slater, 2021), it becomes imperative to scrutinize the ongoing ethicality of banking practices. Hence, it is essential to critically examine the ability of banks to provide superior customer service while simultaneously upholding ethical principles.

This research aims to explore ethical banking practices in post-COVID-19 pandemic. In the context of Davao City, there is a dearth of contemporary research on this subject matter. Therefore, the primary objective of this study is to address the existing void in the scholarly literature through the utilization of exploratory factor analysis to reassess ethical banking. This study is also situated within the broader frame of ethical governance, aiming to surface the dimensions that shape citizens' perceptions of banking conduct in times of crisis. The research addresses how local institutions must reconcile financial viability with public value creation, a foundational concern of modern public administration. It also underscores how governance structures must adapt to new risks while protecting democratic values such as inclusion, social equity, and trust.

II. METHOD

A. Participants

The participants in this study were bank customers who held deposits or loans with universal banks in Davao City. To ensure an unbiased selection of participants, the study utilized simple random sampling, allowing every qualified bank customer an equal chance of being selected. This method was deemed the most appropriate because it eliminates selection bias and ensures that the sample is representative of the larger population of universal bank clients. Given the diverse demographics, financial behaviors, and banking needs of customers, simple random sampling allowed for a fair and inclusive selection process without pre-classification into strata or subgroups (Cho, Jang & LoCascio, 2016). This approach enhanced the validity and reliability of the study, making the

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findings more generalizable to the broader banking population.

Additionally, simple random sampling is widely used in foundational research, particularly when the objective is to capture a broad and unbiased perspective on customer experiences and ethical banking practices. A total of 202 respondents, both for face-to-face and online survey, was obtained, a sample size that met the requirement for exploratory factor analysis (EFA), where a minimum of 150 respondents was considered sufficient (Yong & Pearce, 2013). To qualify for participation, respondents had to be legal-age depositors or clients of universal banks at the time of the study. Customers of non-universal banks, such as thrift banks, rural banks, fiduciary institutions, cooperatives, and other financial entities, were excluded. Furthermore, participants were given the right to withdraw at any stage without penalty, ensuring that their participation was voluntary and ethically compliant.

B. Research Instrument

The research employed a self-made survey questionnaire adapted from the in-depth interview results, literature, and scholarly sources that fit this investigation's objectives. Refinement of the questionnaires was done with the adviser's assistance and four validators who ensured their validity.

The survey questionnaire consisted of two parts: Part I included the respondents' demographic profile, and Part II instructed respondents to rate the items on the scale adapted for the purpose. The questionnaire had 45 item statements, and the researchers sought the help of five (5) selected experts to review the self-made questionnaire. The alpha values of the items in the subscales were determined using Cronbach's alpha and McDonald's omega to ensure reliability.

C. Research Design

This study employed a non-experimental quantitative research design, utilizing exploratory factor analysis (EFA) as the primary multivariate analytical technique. A non-experimental design was chosen because it allows the researcher to observe relationships between variables without manipulating them, thereby capturing natural patterns and associations (Frölich et al., 2014). This approach ensures that data is collected directly from respondents and analyzed objectively, making it well-suited for identifying key dimensions of ethical banking practices.

In the collection of data, the survey approach was used, utilizing both face-to-face and online surveys so that the study can reach to the desirable number of respondents at the same time. In the case of face-to-face data collection, before distributing the questionnaires, the lead researcher explained the study's rationale to the respondents to understand its importance. Survey questionnaires were administered or handed personally by the researcher to the identified respondents or through the assistance of the front desk staff of the bank to ensure 100% retrieval of the questionnaire and to provide immediate responses to any possible inquiries. In the case of online data collection, Google Forms was used to collect the responses, with the informed consent ticked by the respondent if agreeing on participation in the survey. The respondents had enough time to answer the questionnaire. Subsequently, the questionnaires were retrieved and checked for any missing entries. It was collected immediately after being filled out and conducted for three weeks.

The responses were tabulated after retrieval and processed using appropriate statistical tools. Data analysis was performed in JAMOVI 2.4.8 (R Core Team, 2022; The jamovi project, 2023). A principal axis factoring-based exploratory factor analysis (EFA) with oblique rotation enabled the determination of the dimensions of ethical banking. Item loadings were determined, and items with similar themes were labeled with appropriate component names. Items that do not reach the ± 0.50 cut-off point or have double-loadings were eliminated. Finally, the results were interpreted based on the purpose of the study.

EFA is an effective method for reducing data into a smaller set of summary variables while uncovering the underlying theoretical structure of a phenomenon (Watkins, 2018). Ethical banking consists of multiple interrelated dimensions, many of which are not directly observable but can be inferred through patterns in collected data. EFA helps identify and categorize these hidden factors, providing a systematic way to group related variables and validate the conceptual structure of ethical banking. This method is particularly appropriate for developing measurement scales, identifying key constructs, and refining theoretical

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models (Tavakol & Wetzel, 2020). In this study, EFA was used to extract and define the core dimensions of ethical banking practices in Davao City, ensuring that the findings are both empirically grounded and theoretically sound.

D. Ethical Considerations

Subsequently, the proponents submitted all the documentary requirements to University of Mindanao Ethics Review Committee (UMERC) to secure their approval in the data collection. Approval was released under protocol number UMERC-2024-118.

III. RESULTS AND DISCUSSION

A. Dimensional Reduction of Ethical Banking Practices of Banks during the COVID-19 Situation in Davao City

These subsequent discussions centered on interpreting the test results accumulated during the dimension reduction procedure. The statistical assumptions tests yielded results that support the suitability of the data set for factor analysis. Principal axis factoring (PAF) was employed as the extraction method, and oblimin (oblique) rotation was set to examine the dimensionality of ethical banking during the COVID-19 pandemic as part of the EFA process.

TABLE I: KMO AND BARTLETT'S TEST RESULT

Test		Value
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.922
Bartlett's Test of Sphericity	Approx. Chi-Square	6710
	Degree of Freedom	990
	Significance	p<0.05

This study used sampling adequacy in the Kaiser-Meyer-Olkin (KMO) index (Kaiser & Rice, 1974). It is also utilized as an index to compare the magnitudes of observed and partial correlation coefficients to determine whether the data will coalesce on components. This metric is between 0 and 1, with a minimum value of 0.6 recommended to ensure a satisfactory factor analysis. However, values approaching 1 are more favorable. The KMO index shows the test result as 0.922 in Table 1. The outcome indicated that the sample size is sufficient and "excellent," surpassing the acceptable threshold of 0.6. The result is a comprehensive index, indicating that the data are suitable for exploratory factor analysis and categorized into more manageable underlying factors. Consequently, the result validates that the 202-respondent dataset is appropriate for factor analysis.

Furthermore, the analysis incorporated Bartlett's test for sphericity as well. Table 1 demonstrates that the test value is substantial (6,710) with 990 degrees of freedom (df) and a p-value below 0.05. As a result, it shows that the dataset is suitable for factor analysis (Stewart 1981). To warrant the rejection of the hypothesis, Bartlett's test of sphericity requires a significance value below 0.05 (Armstrong and Soelberg 1968).

The latent roots criterion can determine the standard outcome of exploratory factor analysis by obtaining the sum of the variances explained. The explained total variance represents the outcome of parallel analysis, which determines the optimal number of dimensions by considering the number of acceptable items loaded into each dimension. Table 2 shows that thirty items out of forty-five items were subjected to the extraction procedure and loaded successfully. Furthermore, the latent root criterion outcomes indicate that five factors or components can be extracted from the 45 items submitted for dimensional reduction. The four factors accounted for 55.1% of the total variations observed in the data.

TABLE II: LATENT ROOTS CRITERION

Factor	SS Loadings	% of Variance	Cumulative %
1	6.20	13.78	13.8
2	5.46	12.13	25.9
3	5.07	11.26	37.2
4	4.25	9.45	46.6
5	3.80	8.45	55.1

The factor analysis' pattern matrix presented in Table 3 reveals item statement loadings of the five distinct dimensions of ethical banking practices that have become prominent in the post-COVID-19 pandemic context. These dimensions, informed by the clustering of specific practices, highlight the multifaceted approach banks have adopted to navigate the challenges and opportunities the pandemic has introduced.

Dimension 1: Security and Fraud Prevention (13.78%). The first dimension highlights security-centric practices critical for safeguarding customer information and mitigating fraud risks. High

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TABLE III: PATTERN MATRIX SHOWING THE EXTRACTED DIMENSIONS OF ETHICAL BANKING PRACTICE

	Factor					
	1	**2**	**3**	**4**	**5**	**Uniqueness**
39. Assess the customers' risk profile.	0.814					0.258
38. Guard against fraudulent activity such as identity fraud or impersonation.	0.741					0.271
37. Ensure the identity of the customer.	0.703					0.246
40. Verify additional information about the customer's financial and business activities	0.695					0.271
43. Train the staff to connect securely to the office environment or applications from a remote location and potential scams, fraudulent communications, and other criminal activities.	0.553					0.419
36. Gather customer information to know the client's records.	0.542					0.355
45. Report any suspicious activity to the appropriate authorities per the laws.	0.508					0.432
42. Conduct customer investigation.						*0.551*
44. Monitor continuously and update their customer due diligence (CDD) processes to reflect these changes.						*0.392*
26. Give loan packaging that fits the cash flow of the client.						*0.472*
35. Ensure compliance with the regulations and laws of the regions or markets they are operating.						*0.461*
22. Set terms and conditions to manage the credit risk.						*0.543*
6. Train service personnel to interact better with customers with dignity and respect during this stressful time.		0.717				0.419
9. Understand the customers' needs.		0.686				0.343
8. Build solid, trust-based relationships by making customers feel heard and adjusted.		0.674				0.355
7. Help customers to be at peace by accommodating them on time.		0.663				0.431
5. Reach out proactively and offer training to customers unfamiliar with online banking.		0.632				0.543
10. Improve the technology that will reduce the customer's waiting time.		0.568				0.320
12. Maintain a good relationship with clients/customers.		0.526				0.393
3. Improve customer experience that addresses efficiency.		0.509				0.657
4. Reframe employee experience on mutual commitment, especially reskilling, and making doing the right thing a competitive advantage.						*0.668*
11. Assist the clients with any documents related to bank transactions.						*0.391*
20. Use a mobile banking app or an automated transfer to pay the client's debts.			0.818			0.306
15. Use of mobile-accessible payment services through GCASH and Pay Maya.			0.812			0.427
16. They have encouraged using cashless payments through bank transfers, credit card payments, mobile payments, and digital wallets.			0.805			0.351
14. Encourage contactless payments for their clients through bank card payments and mobile wallets such as Apple Pay.			0.723			0.426
13. Use digital payment channels through bank transfers, mobile money, QR codes, and payment instruments such as credit, debit, and prepaid cards.			0.711			0.428
19. Allow clients to pay through transfers initiated via online banking.			0.665			0.367
17. Encourage remote services by launching "positive and safety-oriented messaging" to reduce the reliance on physical locations.			0.566			0.401
29. Evaluate the accounts strictly.				0.826		0.266
30. Strictly evaluate the new clients.				0.766		0.343
31. Monitor the past-due accounts.				0.546		0.309
23. Tightening lending standards.				0.533		0.486
27. Strengthen the restriction of loan policies for each loan product.				0.518		0.567
28. Encourage the debtor to have collateral through real property.						*0.517*
34. Collect and evaluate relevant information for a customer or potential customer.						*0.447*

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TABLE III: PATTERN MATRIX SHOWING THE EXTRACTED DIMENSIONS OF ETHICAL BANKING PRACTICE

	Factor					
	1	**2**	**3**	**4**	**5**	**Uniqueness**
33. Extend loan periods to customers.					0.624	0.561
21. Expand its lending to customers.					0.563	0.459
18. Give the client a moratorium on loan payments for two months per order by the government.					0.562	0.472
32. Defer the repayment dates of customers.						*0.595*
25. Lowered interest rates.						*0.626*
24. Alters lending behavior in response to heightened uncertainty.						*0.471*
1. Serve distressed customers by using digital tools.						*0.816*
2. Reset customer agenda to meet urgent needs.						*0.711*
41. Reject clients with bad records from other financial institutions.						*0.673*

Note. The 'Principal axis factoring' extraction method was combined with an 'oblimin' rotation. Items with coefficients (*in italics*) less than 0.50 were suppressed.

loadings on risk profiling (λ=0.814), identity theft prevention (λ=0.741), and identity/financial activity verification (λ=0.703–0.695) underscore the centrality of robust security infrastructure. Complementary items like staff training for secure remote connections (λ=0.553) and suspicious activity reporting (λ=0.508) further emphasize the need for vigilance in maintaining operational integrity during crises (Oyeniyi et al., 2021).

These findings align with established literature positioning security as a dual imperative: protecting assets and ensuring compliance (Creado & Ramteke, 2020). Customer due diligence (CDD) emerges as a linchpin, with studies (El-Yacoubi, 2020; Matthews, 2022) affirming its regulatory necessity for risk assessment and fraud prevention. Post-pandemic, CDD's role extends beyond compliance—enabling law enforcement to disrupt financial crimes (Gaviyau & Sibindi, 2023; Johari et al., 2020; Mills, 2020).

Tucker's (2024) framework resonates with the results, advocating holistic fraud prevention integrating deterrence, mitigation, and internal controls. This proactive approach, combining people, processes, and technology, is paramount in digital banking, where security concerns directly influence customer trust (Wewege et al., 2020). The "new normal" accentuates security as a strategic differentiator, enhancing relationship quality (Cooke, 2021) while addressing evolving fraud vectors.

Dimension 2: Customer Relationship and Support (12.13%). The second dimension captures critical practices for optimizing customer engagement, with high loadings on respectful staff interactions (λ=0.717), needs-based service (λ=0.686), trust-building (λ=0.674), and timely accommodations (λ=0.663). Proactive digital training initiatives (λ=0.632) and technological improvements to reduce delays (λ=0.568) demonstrate banks' strategic commitment to relationship management during disruptive periods.

These findings align with contemporary CRM literature. Liu and Zhang (2024) position CRM as a revenue-enhancing strategy that enables needs identification and churn prevention. This echoes Al-Hersh et al.'s (2014) foundational perspective of customer-centricity as a market imperative. The dimension's emphasis on staff competence supports Halvorsen et al.'s (2023) assertion that employee knowledge and attitude directly influence relationship quality.

The results further validate Hasan et al.'s (2023) framework of banking relationships as trust-based ecosystems. As Melnyk (2024) and Soe (2024) emphasize, digital experience and transparency serve as key relationship catalysts. Ultimately, this dimension reflects Alam et al.'s (2021) ethical paradigm of CRM - where institutional interactions balance commercial objectives with trust preservation.

Dimension 3: Digital Banking and Payment Innovation (11.26%). The third dimension captures the industry's rapid digital transformation, particularly in payment solutions. High factor loadings on mobile banking apps (λ=0.818), digital wallets (λ=0.812), and cashless payment promotion (λ=0.805) demonstrate strong consumer adoption of digital channels, while contactless payments (λ=0.723) and digital payment infrastructure (λ=0.711) reflect institutional efforts to create safer, more efficient transactional ecosystems.

These findings align with Khando et al.'s (2022) framework of digital payment instruments, confirming their societal benefits. The pandemic-induced acceleration noted by Calderon (2025) appears in our results, particularly through the high adoption scores for peer-to-peer digital apps that optimize convenience and cost-efficiency. The Indonesian case study by Wahyuni et al. (2021) further corroborates this global trend, showing how banks strategically evolve to meet changing consumer needs.

The dimension ultimately reveals digital banking's dual value proposition: enhancing customer experience through convenience while delivering operational advantages like cost reduction, transaction security, and supply chain efficiency. This transformation represents not merely a technological shift, but a fundamental reimagining of financial service delivery in the post-pandemic era.

Dimension 4: Credit Management and Monitoring (9.45%). The fourth dimension reveals banks' strategic approach to credit risk mitigation during periods of economic volatility. Strong factor loadings on rigorous client evaluation (λ=0.826 for new clients, λ=0.766 for existing accounts) and delinquent account monitoring

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(λ=0.546) demonstrate institutional prioritization of prudent lending practices.

These findings align with Hohnen, Ulfstjerne and Krabbe's (2021) framework of comprehensive credit assessment, incorporating financial history and risk indicators. The results further validate Allianz's (2024) operational model of credit management, emphasizing limit-setting, payment tracking, and risk evaluation. As Ahn and Choi (2009) established, such monitoring serves dual purposes: mitigating institutional risk while preventing borrower moral hazard.

The dimension ultimately highlights credit management's critical role as both protective mechanism (against payment defaults) and strategic tool (for risk anticipation). This continuous, proactive approach represents an essential institutional capability - particularly during economic crises when credit risks escalate.

Dimension 5: Lending Flexibility and Support (8.45%). The fifth dimension captures institutional lending flexibility during financial distress, with significant loadings on loan term extensions (λ=0.624), credit expansion (λ=0.563), and payment moratoriums (λ=0.562). These measures reflect banks' strategic responsiveness to client financial vulnerabilities during economic crises. This dimension ultimately reveals how crisis-induced lending adaptations serve dual institutional objectives: maintaining portfolio stability while fulfilling social obligations to distressed borrowers. Such flexibility represents a critical competitive capability in post-pandemic financial ecosystems, where responsive lending practices may increasingly determine institutional resilience and customer loyalty.

Our findings align with Casanova, Hardy and Onen's (2021) policy framework, demonstrating how regulatory measures enabled credit flow maintenance through flexible lending accommodations. The results particularly support their observation that payment deferrals and term extensions preserved institutional capital while providing client relief. Gregory et al.'s (2020) crisis management model further contextualizes these practices as essential components of financial safety net reconstruction during systemic shocks.

B. Reliability of the Items in the Extracted Dimensions

The present findings in Table 4 demonstrate robust implementation of ethical banking practices across five critical dimensions during the COVID-19 pandemic, as evidenced by consistently high mean scores (ranging from M = 4.28 to M = 4.64 on a 5-point scale) and acceptable to excellent reliability metrics (Cronbach's α = 0.722-0.923; McDonald's ω = 0.733-0.927). Security and fraud prevention emerged as the most strongly implemented dimension (M = 4.64, SD = 0.530), reflecting its foundational role in contemporary banking operations. This prioritization aligns with established literature emphasizing that robust security measures are essential for maintaining institutional integrity and preserving customer trust (Barker, 2018; Hoffmann & Birnbrich, 2012). The particularly strong reliability coefficients for this dimension (α = 0.923, ω = 0.927) further underscore its measurement stability and operational consistency across institutions.

TABLE IV: DESCRIPTIVE AND SCALE RELIABILITY STATISTICS FOR THE FIVE DIMENSIONS OF ETHICAL BANKING

Dimension	Mean	SD	Cronbach's α	McDonald's ω
1	4.64	0.530	0.923	0.927
2	4.61	0.490	0.887	0.901
3	4.51	0.574	0.908	0.909
4	4.47	0.594	0.861	0.865
5	4.28	0.632	0.722	0.733

Notably, the findings support Khanna and Arora's (2009) assertion that comprehensive fraud prevention requires both systemic controls and staff training, while also validating Piha and Avlonitis's (2015) findings regarding the detrimental effects of security breaches on customer relationships. The digital banking dimension (M = 4.51, SD = 0.574) similarly showed excellent reliability (α = 0.908, ω = 0.909), indicating the successful institutionalization of pandemic-accelerated technological adaptations.

While lending flexibility and support registered as the least implemented dimension (M = 4.28, SD = 0.632), its still-substantial mean score and acceptable reliability (α = 0.722, ω = 0.733) suggest these practices remain relevant in post-pandemic operations, albeit in more targeted applications. This pattern reflects what Nemera

(2022) described as a strategic transition from blanket crisis accommodations to more selective support for qualified clients. The results particularly align with Gonzalez-Uribe and Wang's (2020) observations regarding the evolution of pandemic relief measures into risk-aware relationship management tools.

The strong psychometric properties across all dimensions confirm their validity as measurable constructs for assessing ethical banking practices. The variation in implementation levels likely reflects differing institutional priorities, with security measures representing non-negotiable operational standards while lending flexibility evolves as a strategic differentiator. These findings collectively suggest that Philippine banks have successfully institutionalized many pandemic-era adaptations while maintaining focus on core ethical banking principles, providing a model for financial institutions navigating post-crisis operational environments.

IV. Conclusion

Based on the study's findings, five key dimensions of ethical banking practices were identified among universal banks operating in post-pandemic Davao City: security and fraud prevention, customer relationship and support, digital banking and payment innovation, credit management and monitoring, and lending flexibility and support. These dimensions reflect not only evolving customer expectations but also the administrative responsibilities of banks as quasi-public institutions operating within a governance framework that demands both accountability and ethical stewardship.

The findings resonate with Stakeholder Theory, affirming that ethical banking enhances institutional trust and legitimacy—two pillars of democratic governance. In parallel, the principles of Social Responsibility Theory suggest that financial institutions bear a duty to contribute to societal well-being through responsible lending, financial inclusion, and educational initiatives. These theories complement Philippine public administration norms enshrined in the Administrative Code of 1987, particularly regarding the ethical conduct of institutions serving the public. Moreover, the findings align with the Bangko Sentral ng Pilipinas' Financial Consumer Protection Framework (2022) and Republic Act No. 8791 or the General Banking Law of 2000, both of which reinforce the dual mandate of banks—to remain financially sound while protecting consumers and upholding the public interest.

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Conflict of Interest

Authors declare no conflict of interest in any form in the conduct of this study.

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