Study on the Theory of Cognitive Moral Development and Moral Maturity in Finance Professionals

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ABSTRACT

Using Lawrence Kohlberg's theory of cognitive moral development, the study examines the crucial aspect of moral maturity and cognitive moral growth of finance professionals in the sector. The research investigates how a person's decision-making process is influenced by their various stages of moral growth, from preconventional self-interest to postconventional ethical reasoning. The study sheds light on the requirements, contributing variables, and difficult moral conundrums that professionals frequently face. Building and sustaining confidence with customers, investors, and the general public requires moral maturity, which supports a secure financial system and a robust economy. Examination of the impact of a person's gender and age group's moral development The study provides insightful information that helps people grow morally and make moral decisions.

KEY WORDS: Moral maturity, Preconventional, Conventional, Postconventional

INTRODUCTION

Moral development - The process by which people progressively come to understand the distinctions between what is right and wrong, moral and immoral, is known as moral growth. Human ethical consciousness is frequently seen to involve a shift from straightforward and limited conceptions of what is right and wrong to more complex methods of telling what is right from wrong, as suggested by the idea of development.

Moral maturity - The broadness and consistency of moral judgment, the knowledge that any moral evaluation might be incorrect, and the awareness that moral judgment is complex—that is, that moral principles may need to be comprehended in order to be applied to a particular situation—are traits of moral maturity. In order to apply a body of knowledge or a talent toward solving problems or comprehending a situation, a person must possess moral maturity; otherwise, the knowledge or skill would stay abstract and unrealized.

Theory of cognitive moral development- American psychologist Lawrence Kohlberg created one of the well-known theories addressing a number of these important issues. His studies improved and extended the findings of Jean Piaget's previous study, although they were mostly focused on figuring out how kids develop moral reasoning.

Expanding upon Piaget's theory, Kohlberg emphasizes that moral development is a continuous process that happens throughout a person's lifetime. According to Kohlberg's concepts, moral development occurs in six phases, with three levels within each stage.

The idea of Kohlberg's ethical development theory looks into how kids pick up morality and ethical reasoning. Kohlberg's theory states that moral development happens in six phases, with the creation and upkeep of justice being the major focus of ethical reasoning.

Moral development and moral maturity in financial professionals - A healthy and interconnected financial sector depends heavily on moral growth and maturity. It covers both the understanding of ethical concepts and the capacity to apply them in challenging real- world circumstances. In addition to being important for individual professionals, ethics and morality in the finance sector also contribute to the stability and reliability of the sector as a whole. A financial person's moral development may be largely attributed to their devotion to personal integrity, ethical leadership, and ongoing education.

LITERATURE REVIEW

Kohlberg's principles were based on several types of ethical dilemmas presented in his work. Kohlberg's concept is broken into three parts. Each phase has two separate levels of ethical development**..(Lawrence Kohlberg 1966).**

The poll suggests that companies and academic institutions should provide finance and accounting professionals with additional ethical training. The study helps to provide a framework that companies and educational institutions can use to start creating moral programs that will assist students in becoming moral financial professionals and increase consumer trust. **(Rhodes, P. N. 2010)**

In a population of French corporate executives, the study examines personal level cognitive traits associated with forming a commitment to concerns of sustainable growth. We look into how two factors—one's own ethical maturity and the other being the perceived ethical importance of a sustainable issue—affect one's moral reaction to sustainability. The findings of our study provide light on how finance managers see sustainability's place in corporate strategy**. (Wasieleski, D. M. 2013).**

The literature on ethics in the workplace has often highlighted how important it is to match corporate values with processes and frameworks, and how leaders have a duty to promote a culture of ethics. Basic organizational and adult learning theories were integrated with models of ethical decision-making to create a more thorough and sophisticated understanding of how employees in financial services organizations address ethical issues that arise in the course of their work**. (Fichter, R. 2018).**

The term "moral development" describes alterations in a person's conception of morality, attitude toward breaking the law, and behavior when faced with morally challenging situations. This article discusses the views of Kohlberg, Piaget, and Gilligan about moral development. While Kohlberg contends that no hypothesis can explain the relationship between moral growth and age, his research identifies moral progress as having an age- related phase. **(Abedi, J. 2020).**

OBJECTIVE

The study's goal is to ascertain, by taking into account variables like gender and age, the link between moral maturity and cognitive moral growth among financial professionals in the business. To ascertain the necessity and factors influencing finance professionals' moral decision-making.

RESEARCH METHODOLOGY

The study uses an exploratory research methodology in order to understand the intricacies and evolving moral maturity. In order to help understand the basic theories and concepts that underpin these strategies, the study includes qualitative analysis as well as secondary data that includes a comprehensive evaluation of scholarly literature, research papers, and case studies pertaining to the theory of cognitive moral development in financial professionals.

DISCUSSION

The concepts of Kohlberg are divided into three groups. There are two levels for each moral development level. Kohlberg believed that not everyone reaches the greatest levels of morality, which is similar to Piaget's belief that not everyone reaches the highest degrees of cognitive development.

Stages of moral development:

Levels of Moral Development	Age	Stages Included in This Level
Preconventional Morality	0 to 9	Stage 1: Obedience and punishment Stage 2: Individualism and exchange
Conventional Morality	Early adolescence to adulthood	Stage 3: Developing good interpersonal relationships Stage 4: Maintaining social order
Postconventional Morality	Some adults; rare	Stage 5: Social contract and individual rights stage 6: Universal principles

Level 1. Preconventional Morality: This is the most primitive stage of the development of ethics. At this age, a person's actions are greatly influenced by their parents and the repercussions of breaking the law.

Stage 1: While adults are able to articulate this kind of reasoning, younger generations are more likely to exhibit conformity and retaliation throughout the early stages of their ethical development. People at this level believe that laws are unalterable and absolute.It's important to abide by the rules since doing so keeps you out of trouble.

Stage 2: Individuality and debate are stages of ethical development when kids evaluate activities from their own point of view according to how well they suit their own needs. Reciprocity is feasible at this stage of ethical growth, but only insofar as it advances the individual's objectives.

Level 2. Adoption of social norms on what is morally and aesthetically acceptable denotes a new phase in the evolution of ethics. Both adults and teens internalize the moral principles they are taught by society and their role model at this period.

Stage 3: Known as the "good boy-good girl" attitude, this stage of moral growth in relationships with others is centered on adhering to laws and social norms. Obedience, acting "nice," and considering how one's choices affect relationships are valued.

Stage 4: Upholding social order is the major goal of this stage. When making decisions, people in this stage of ethical growth learn to take society as a whole into account. The main goal is to maintain security and order by abiding by the rules, doing one's responsibilities, and recognising power.

Level 3. Postconventional Morality: During this stage of moral development, people learn about the abstractions of ethical ideas.

Stage 5: At this point, people may start holding themselves accountable for the ideas, convictions, and values held by others, according to the concepts of social responsibility and personal freedom. A culture's adherence to the law is essential to its existence, yet its members must make concessions.

Stage 6: Conceptualization and fundamental ethical notions provide the foundation of the last stage of ethical thought. Even in the face of laws or regulations violations, people in this phase adhere to their internalized justice beliefs.

Application of cognitive moral development to finance professionals:

Preconventional level - During this stage, financial professionals may act unethically if they think doing so would help them avoid penalties or benefit them personally. These decisions are driven by self-interest and a desire for personal gain. For instance, insider trading refers to the practice of financial professionals utilizing non-public knowledge to purchase or sell shares for their own benefit while harboring the hope of being discovered. Financial advisors deceitfully suggested investments to their customers that would profit them more in the form of commissions, even if such recommendations would not have been the best ones for them.

Conventional level - During this stage, financial experts attested to industry standards, laws, and moral principles, where people's goal is to uphold societal order. and preserve their profession's repute. For instance, adherence to rules: To guarantee financial openness and accountability, financial professionals adhere to laws and regulations like the Sarbanes Oxley Act.

Postconventional level - At this point, financial professionals go beyond just observing the rules to make ethical decisions that question unethical behaviors, give priority to more general ethical principles, and take the influence of ethical behavior on society into account. Whistleblowing, for instance Individuals who believe that exposing wrongdoing for the greater good is important enough to expose fraudulent actions to regulators or the media, even if doing so puts them in danger. Because fair and inclusive finance festivals place a high value on justice and equality, they may promote fair lending practices and financial inclusion even when doing so challenges industry conventions.

Individuals in the finance industry make decisions based on their moral reasoning at different stages of moral development. For example, preconventional finance professionals prioritize their personal gain, conventional individuals prioritize industry norms, and postconventional individuals go above and beyond norms to prioritize ethical principles and social impacts.

Need for moral development and moral maturity:

- Making ethical decisions A solid moral basis aids in navigating the numerous ethical challenges that financial professionals frequently face, such as insider trading, conflicts of interest, and misleading financial reporting, in order to make moral judgments.
- Clients, investors, and the general public must have faith in the integrity of financial experts

and institutions. Moral maturity and ethical practice guarantee that professionals behave in a way that fosters and upholds trust.

- Financial stability is a crucial aspect that is affected by unethical behavior inside the financial industry, as seen in the 2008 financial crisis. The stability of the financial market and the wider economy is influenced by moral maturity in decision-making.
- Long-term company or individual success is linked to ethical behavior. People who put ethics first are more likely to have long-lasting client connections, have successful jobs, and gain a favorable reputation.
- The use of ethical practices within the finance sector serves to uphold the industry's overall integrity by fostering a more transparent, equitable, and efficient market environment.
- Individual professional development, less litigation and regulatory risk, increased social responsibility, client interest, and regulatory compliance are all influenced by moral maturity.

Factor influencing moral maturity and moral development of finance professionals:

- Giving financial professionals ethical training helps enhance their moral thinking and raise their understanding of ethical concerns.
- Ethical leadership that works involves creating an organizational culture that values and encourages ethical leadership, and leaders who set an example of ethical behavior for their team members.
- The application of moral guidelines and behavior standards to the banking business.
- It is important for people to report unethical behavior in order to promote openness and responsibility in upholding ethical standards. Financial institutions can analyze their ethical practices culture by implementing an audit of ethical assessments.

ANALYSIS

Q1. Do finance professionals of various ages vary in their level of moral development? In other words, are there differences in the ethical development of finance professionals who fall into distinct age groups as determined by the Defining Issues Test?

Null Hypothesis 1

H01: There is no difference in ethical maturity level between finance professionals associated with different age groups.

Alternative Hypothesis 1

Ha1: There is a difference in ethical maturity level between finance professionals associated with different age groups. Ethical maturity level increases with age.

Q2. Do various genders of finance professionals have varying levels ofmoral maturity ? As determined by the DIT?

Null Hypothesis 2

H02: There is no difference in ethical maturity level between male and female finance professionals.

Alternative Hypothesis 2

Ha2: There is a difference in ethical maturity level between male and female finance professionals. Males have greater ethical maturity than females.

A null hypothesis, as described by Aczel and Sounderpandian (2006, p. 277), is aclaim regarding the actual value of a population parameter.

The notation is:

H_0: $\mu_1 = \mu_2$

H_a: $\mu_1 \neq \mu_2$

where Ho and Ha are the null hypothesis and alternative hypothesis, respectively (Aczel & Sounderpandian, p. 280). This claim is taken to be correct unless there is sufficient statistical evidence to conclude otherwise. Additionally, 1 and 2 indicate the two populations' respective arithmetic means.

The DIT was employed in this study as a dependent variable to assess ethical maturity. The DIT is an online poll that asks participants to consider moral conundrums. The DIT ascertains what people regard as the most important moral issues in a circumstance (Sapp, 1986).

The DIT examines how individuals at various levels of development select various propositions to serve as the most critical component of a moral conundrum. When choosing the most ethical course of action, the survey's respondents were given a number of questions and topics to think over. The respondent is required to weigh each conundrum, choose a choice, and state the factors that affected that choice.

CONCLUSION

The research looked at important facets of moral development and moral maturity in finance professionals as well as the influence of age on moral development. The study found that moral growth is influenced by a number of factors, including personal beliefs, ethical leadership, and education—all of which are critical in defining moral maturity.

It is shown that there are differences in the ethical growth of financial professionals based on their level of cognitive moral maturity. Professionals in finance possess differing degrees of moral development, and ethical thinking plays a role in shaping their actions. To encourage moral growth, which will eventually lead to a more moral, dependable, and safe financial sector, business and educational institutions must invest in masures. Subsequent investigations may shed more light on how moral development takes place.

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