

WHAT BOOK SAYS AND WHAT IS INSIDE THE WALLS (A CASE OF ABC BANK OF PAKISTAN)

Raheel Yasin, Universiti Sains Malaysia

CASE DESCRIPTION

Purpose

This case study discusses the issue related to corporate ethics-of one of the leading bank of Pakistan. For the purpose of this case study, the identity of the bank-will not be disclosed; it is renamed as ABC Bank. The ABC bank annual reports mentioned they concerned about corporate ethics. Whereas story inside the premises of bank is totally against what they wrote in their annual reports. Bank keeps on violating the basic labor laws and corporate ethics by not giving compensation to its employees of 300 branches out of 1,150 which came on off days (Saturday) for the last 7 years. When bank management sense that employees will approach the honorable court against them and to secure itself from legal proceeding, they announced that Saturday allowance will only be given for those employees who worked on Saturday and it is applicable from 1 January 2018 and reduces the number of branches to 164 for Saturday working. So the staff of rest of 136 branches which came on Saturday and did work for the last 7 years did not get any compensation. How this bank practice impact on its whole staff especially staff of 136 branches which will not get any compensation? In Corporate sector organizations mentioned in their annual reports that they invested handsome amount on their employees but this case study tells the inside stories and how they deceive general public and government and violate the labor laws defined by the government. The theme behind this case study is to highlight the laws violate by the corporate sector and what's their impact on the employees.

Research Methodology

This case study is based on primary data collected from the protagonist, Ahmed Raza. The primary data are supplemented with secondary data from published sources. Protagonist name have been altered in order to protect the identity of individuals.

Relevant Courses and Levels

The case is applicable to MBA or other Master's level courses in HRM, Corporate Ethics, Corporate Social Responsibility, ethics as well as in management, industrial organizational psychology, organizational behavior, and leadership.

Theoretical Bases

The case deals with Corporate Social Responsibility, Corporate Ethics, Employee Commitment, Employee Turnover.

Application

This case is most appropriate for the students of Masters which are studying the course of Human Resource Management.

Keyword: Corporate Ethics, Corporate Social Responsibility, Organizational Commitment, Turnover.

CASE SYNOPSIS

The banking industry in Pakistan has been recognized for its rapid growth in recent years. Banking industry over the years has experienced higher profitability levels as compared to other sectors in the economy (Mirza et al., 2016). Commercial banks emphasizes on time preference refer to the value of money spent now relative to money available for spending in the future (Cihák & Hesse, 2008). Commercial banks of Pakistan play an important role leading towards the economic growth (Barth et al., 2009). The success of banks depends upon employees, how they approach clients and use techniques to create better relationships with them on a daily basis (Herstein & Zvilling, 2010).

ABC bank is the first Muslim bank of Indopak which was established on December 3, 1942 at Lahore with capital of 0.12 million with the name XYZ bank. After Partition it's become a part of Pakistan. ABC Bank up till 1970 grows rapidly in all areas. 1970s were consider difficult decade for all Pakistani Banks. In 1971 Pakistan lost its eastern part and bank lost its 50 branches along with lot of capital. Upon nationalization in 1974, XYZ bank was merged with 3 different banks and new name has been given to it i.e. ABC bank Limited. ABC bank offers wide range of banking products and services through a huge network of 1,150 branches in 475 cities and towns. The Bank also have vast network of 1,150 ATMs in more than 250 cities and towns across Pakistan. Haider Holdings (Private) Limited is the parent company of the Bank & its registered office is in Pakistan. ABC bank stands in the list of Top 5 banks of Pakistan which employees more than 10 thousand employees working across the Pakistan.

Rating of Bank

The Pakistan Credit Rating Agency (PACRA) has maintained long term and short term entity ratings of ABC bank limited at "AA+" (Double A Plus) and highest possible "A1+" (A One Plus), respectively.

The ratings assigned to ABC bank Ltd reflects very high level of corporate governance practices instituted in the bank underpinned by sound internal control environment, financial transparency and regulatory compliance.

Power Outage Issue in Pakistan

Pakistan is facing worst energy shortage problem since 2007 (Javaid et al., 2011). Electricity is the most important energy source of Pakistan. In Pakistan 16-20 hours load shedding is routine matter (Arif, 2009). Moreover, unscheduled load shedding cause stress and disturb daily routine of general public. People protest against power outages and block the roads. Because of this energy crisis Pakistani business community and general public face lot of problems (Lodhi & Malik, 2013).

Current installed generation capacity of Pakistan is 22,500 MW of which, 6500 MW (Hydel) produced by WAPDA (Water and Power Development Authority), 4900 MW (Thermal) produced by WAPDA, KESC 1950 MW, IPPs 8363 MW, Nuclear 787 MW Electricity generated during 2010-11: 94,635 GWH based on Oil 35%, Hydel 34%, Natural Gas 27%, Nuclear 4% & Coal 1% . Power Availability in 2011: 17,000 MW and Peak Demand was 22,000 MW. An average shortfall in year 2011 was 5000MW (Kessides, 2013). So in order to cover this shortfall power outages daily 7-10 h in the urban areas and 15-20 h daily in rural areas in year 2011. Whereas, electricity demand growing @10% annually vs. supply @7% (Kazmi, 2013).

Government Decision of Two Weekly Offs

In year 2011, when electricity shortfall touched the figure of 5000 MV. At that time federal government of Pakistan announced two weekly offs with effect from October 15, 2011. According to the notification issued by the Interior Ministry, it has been decided in the federal cabinet meeting held on October 12 that 5-day working week shall be observed in all public/private offices entities under the federal government. Office timings will be observed from 8:00 A.M to 4:00 P.M from Monday to Friday. However, lunch/Friday prayer break will be observed from 12:30 P.M to 2:00 P.M. It has also been said in the notification that selected operational branches of commercial banks shall, continue to work on Saturdays to facilitate cooperate customers (Tribune, 2011) .

In the light of Government two weekly offs, State bank of Pakistan issued a circular of five working days and recommended banks to open selected branches on Saturday to facilitate their customers also instruct the banks to deployed minimal number of staff necessary to carry the basic function which were defined in the circular in order to ensure minimum possible use of electric appliances (Annexure A).

ABC Bank Management Decision to Open branches on Saturday

ABC bank management in order to facilitate its maximum number of customers open 300 branches and full strength of these branches come on Saturday list of branches attached in (Annexure B).

Saturday Allowance Issue

ABC bank has been opening its 300 branches out of 1,150 since 2011 and not paid any extra allowance to the staff members of those branches which perform operation on Saturday. Whereas when ABC bank management feels that now employees will approached to the court they decide to give Saturday allowance which is effective from 1st January 2018, will be applicable for three staff members only and reduced the number of branches which performed an operation on Saturday to 153 (Annexure C).

Working on different off days (For Hajj collection, Tax Collection)

On the instruction of State bank of Pakistan ABC bank multiple times circulated its staff to come on Saturday Sunday for working of Hajj collection and tax collection. Details are attached in (Annexures D & E).But they not paid any compensation to those staff member which performed these special assignments.

Bank Policies Mentioned in Annual Report

Business ethics and anti-corruption measures

Bank supports a culture of excellence, good governance, transparency, honesty and accountability. Controls and Compliance being an integral function, encourages high business ethics while promoting positive compliance culture. In order to protect the interests of all stakeholders, bank is committed to best industry practices for compliance with all regulatory frameworks including anti money laundering practices.

Community work

Bank tries to establish its presence not only by business interactions but also by contributing towards critical social causes. Bank is supporting leading educational institutions by donation of Rs. 20.60 million and spent Rs. 1.24 million on sponsorships to various educational institutions. Bank contributed Rs. 11.38 million in the shape of direct donation for health care institutions. Bank spent Rs. 31.76 million on general welfare of the community.

Corporate social responsibility

Corporate Social Responsibility philosophy (CSR) of ABC bank focused some key areas, like education, healthcare, sports promotion, environment, promotion of art and artists, staff welfare and engaging the staff in healthy activities.

CSR Track Record

Education

ABC bank strongly believes in Investment in education is of supreme importance to bring the development of country. Therefore, ABC bank contributes significantly in this sector imparting quality education to the bright young men and women of Pakistani society. The Bank has been promoting the cause of education by providing sponsorships and donations to prominent educational institutions as well as those run on non-profit basis.

Health

Substantial amount is contributed by the bank to the leading health care institutions names are which are mention below.

- Al Mustafa Trust.
- Bakhtawar Amin Memorial Trust.
- Tameer Welfare Organization.
- Shaukat Khanum Memorial Cancer Hospital.

Assistance in Calamity Hit Areas

The bank is always at front steps when crises hit Pakistan ABC Bank contributed Rs. 10 million to the Prime Minister's Earthquake Relief Fund for Baluchistan.

Occupational Safety & Health

ABC bank recognizes the responsibility of safety of its staff members, by providing group life insurance along with medical reimbursement. Moreover, ABC bank fitted fire extinguishers on all of its branches and fire hydrant systems at multi story buildings.

Staff Engagement

ABC Bank aims at having one of the best in class human resource, consisting of youth and experience. The Management strong belief that it's their responsibility to look after bank employees in terms of their physical, spiritual and emotional wellbeing as well as their financial needs at all times.

Charitable Giving's Healthcare

Healthy nation based on healthy individual. In line with that belief, bank has been donating considerable amounts to prominent healthcare institutions. Below is the list of institutes supported during the last five year.

- Liver Center, Civil Hospital, Faisalabad.
- Bakhtawar Amin Memorial Trust Hospital.
- Laeeq Rafiq Foundation, Multan.
- Lahore Business Association for Rehabilitation of Disabled (LABARD).
- Aziz Jehan Begum Trust for the Blind.
- Imran Khan Foundation.
- BaitulSukoon Trust.
- Al Mustafa Trust.

TEACHING NOTES

Case Overview

The main issue of the case is about ABC bank that did not give Saturday allowances to its staff of 300 branches for the last 7 years. These employees have an extra workload as compared to other staffs which have off day on Saturday. The bank suspected that the employees will approach to the court. Thus, the bank issued a circular for the issuance of Saturday allowance to its branches that worked at Saturday for only 164 branches and which is applicable from 1 January 2018. So the staff of rest 136 branches which came on Saturday in the last 7 years would not get any compensation and also the staff of all 300 branches not got a compensation of last seven years.

Basic Issues

The issues include corporate ethics, Ethical Climate, job satisfaction, Organizational Commitment, workplace discrimination and Employee Turnover

Teaching Objectives

This case is written for students undertaking the degree of Master of Human Resource Management. It is hoped that this case will assist the students in understanding courses related to HRM, Corporate Ethics, and Corporate Social Responsibility.

Learning Outcomes

1. By working on this case, students will get the opportunity to analyze the corporate ethics issue.
2. Students will learn how organizations pretend that they work for the community but, there not give the basic rights to their employee.
3. When organizations violate the labor laws than what will be its consequences on employees.
4. The case provides a sketch of the complicated and correlated nature of employee turnover issues challenges, and the impact of these challenges on the organization.
5. The case provides the opportunity for the instructor to discuss and doing further research on employee's turnover.

Discussion Questions

1. What do employees think about the bank Management?
2. How this practice impact the employees of those branches which were opened in the last seven years but now closed?
3. Is a bank violates basic labor laws?
4. What will be the impact of this policy on employee's commitment?
5. What is the reason behind that organizations involved in community work but they not care for their employees?
6. Would this behavior of management increase the chances of employees to involve in fraudulent activities?

CONCLUSION

In underdeveloped counties employees are engage in fraudulent activities because most organizations working in these countries not bother to take care of their employees due to whom employees are also less committed and loyal to their work and organizations. Secondly, such organizations have high employee turnover as compared to those organizations which care for their employees.

Annexure A

October XXX, 2011

State Bank to observe five-day working week from tomorrow: Banks' selected branches to remain open on Saturdays to provide banking facilities to their customers.

The State Bank of Pakistan (SBP) and all offices of SBP Banking Services Corporation, including the Public Debt Offices, will observe five-day working week with effect from October 15, 2011 as per the notification issued by the Federal Government yesterday (October 13, 2011). Therefore, Saturday and Sunday will be observed as closed holidays.

The State Bank will observe office timings from Monday to Thursday from 9.00 A.M to 5.30 P.M (with lunch/prayer break from 1.30 P.M to 2.15 P.M) and on Friday from 9.00 A.M to

6.00 P.M (with lunch/prayer break from 1.00 P.M to 2.30 P.M). All the field offices of SBP Banking Services Corporation will observe business hours from Monday to Thursday from 9.00 A.M to 1.30 P.M and on Friday 9.00 A.M to 1.00 P.M. These new office/business hours will remain effective till further orders.

With a view to ensuring availability of basic banking facilities to the banks' customers specially the business community, the State Bank today issued a circular instructing bank to open selected branches in various business centers/commercial hubs/ports etc. on Saturdays. However, the Head Offices and other administrative offices of banks will remain closed on Saturdays, says BPRD Circular No. XX of October 14, 2011.

Banks may at their own decide the number of branches that will be opened on Saturdays. Also, the banks' collection booths located at Custom Houses/Ports shall remain open 24/7 as per existing practice. However, banks will submit a complete list of branches to be opened on Saturdays to the Banking Policy & Regulations Department of State Bank.

Annexure B

Circular No.: xxxx

December xxx, 2017

All Branches All Controlling Offices

Revision in Saturday Opening Branches List and Allowances

Allied Bank provides continuous banking services to the business community in specific and potential business centers and commercial hubs during six working days in a week. Based on our geographical spread, business growth and physical presence of Islamic/ Conventional branches the strategy of Saturday opening branches is continuously reviewed by the management.

In line with the business growth strategy and keeping in view above factors, the management has revised the list of Saturday Opening Branches and it has been decided to open 153 branches on Saturdays from 10:00 A.M to 2:00 P.M with effect from January 1st, 2018, as per attached list.

To acknowledge the dedication and professional commitment of the employees posted in these selected branches, it is further decided to pay them incentive as per following detail:

Table 1 EMPLOYEES INCENTIVE CRITERIA			
Functional Title	Authority	Headcount	Allowance per Saturday PKR
BSM	Authorizer	01	600
BSO	Inputter	01	500
Teller	Inputter	01	400

Please note that incentive shall be paid to a maximum of 3 team members in each branch. The number of employees to be deputed in respective branches is mentioned against each branch in the attached list. The subject incentive shall automatically discontinue, once the employee is

posted out from the selected Saturday Opening Branch or the branch no longer opens on Saturday.

For timely payment of monthly incentives to the employees, who would perform their duties in Saturday Opening Branches, a consolidated list of employees shall be emailed to Mr. xxxx Divisional Head-Payroll at Ixxx@xxx.com on 20th day of every month by the respective Group Heads of Banking Services.

All the concerned employees are advised to note the above amendments/instructions accordingly.

-Sd-

XXXX

Group Head Human Resource

-Sd-

XXXX

Chief Human Resource

Annexure C

Banking Operations & Policies

CircularNoXXXX/2015/xxxx

15th XXX, 2015

For Enclosed Branches

Opening of Selected Branches for Processing of Home Remittance Payments

As per SBP instructions to facilitate the home remittance payments enclosed branches (235 in numbers) will remain open on Friday July 17, 2015 and on Saturday July 18, 2015 (In case Eid falls on Sunday July 19, 2015).

The banking/office timings for these two days will be the same as circulated for current Ramzan vide circular No. P/XXX-2015/XXX dated June 17, 2015.

Enclosed branches are advised to note the above instructions carefully for compliance. All RH-BS are requested to ensure the implementation.

-Sd

XXXXX

Unit Head –Banking Operations

Sd-

XXXXXX

Group Head- BO&P

-Sd-

XXXX

Chief- BSG

Annexure D

Circular No. P/xxx-2017/XXX

April XXX, 2017

All Controlling Offices
All Branches**Opening of all branches on 22nd & 23rd April 2017 (Saturday and Sunday)
For collection of Hajj application along with dues Hajj-2017**

State Bank of Pakistan vide letter No. BPRD/xxx/2017/xxx dated April 19, 2017, on the request of Ministry of Religious Affairs & Inter Faith Harmony, has directed to open all branches of the Bank on 22nd and 23rd April, 2017 (Saturday and Sunday) from 10:00 A.M. to 2:30 P.M. for the purpose of collection of Hajj applications along with Hajj dues.

However, branches already opened on Saturdays will also observe the above timings for the collection of Hajj applications.

The branches will only perform collection of Hajj applications on Saturday, 22nd April, 2017 and no other banking transaction is allowed except for those branches, which are already approved for banking business on Saturdays.

All the branches of Allied Bank will perform function of collection of Hajj applications on Sunday, 23rd April 2017, with no other handling of banking activity.

Regional Head Banking Services to ensure that minimum staff required performing the Hajj application collection process is available in branches during these two days.

The above directives are for strict compliance.

-Sd-
XXXXXX
Group Head, HR Operations
Human Resource Group

-Sd-
XXXXXX
Chief
Human Resource Group

Annexure E

Circular No. P/XXX-2018/XXX

January XXX, 2018

All Controlling Offices
All Branches**Opening of all branches on 20th & 21st January, 2018 (Saturday and Sunday)
For collection of Hajj applications along with dues–Hajj 2018**

State Bank of Pakistan vide letter No. BPRD/xxx/2018/xxx dated January 16, 2018, on the request of Ministry of Religious Affairs & Inter Faith Harmony, has directed to open all

branches of the Bank on 20th & 21st January, 2018 (Saturday and Sunday) from 10:00 A.M. to 2:30 P.M. for the purpose of collection of Hajj applications along with Hajj dues.

However, branches already opened on Saturdays, will also observe the above timings for the collection of Hajj applications.

The branches will only perform collection of Hajj applications on Saturday, 20th January, 2018 and no other banking transaction is allowed, except for those branches, which are already approved for banking business on Saturdays.

All the branches ABC bank will perform function of collection of Hajj applications on Sunday, 21st January, 2018, with no other handling of banking activity.

Regional Head Banking Services are directed to ensure that minimum staff required to perform the Hajj application collection process shall be available in branches during these two days.

The above directives are for strict compliance.

-Sd-
XXXXX
Officiating Chief
Banking Services Group

-Sd-
xxxx
Chief
HumanResource Group

REFERENCES

- Cihák, M.M., & Hesse, H. (2008). Islamic banks and financial stability: An empirical analysis. *International Monetary Fund, Working paper*. Retrived from <https://www.imf.org/external/pubs/ft/wp/2008/wp0816.pdf>
- Herstein, R., & Zvilling, M. (2010). The key role of employees in making customers more loyal: The case of discount bank, israel. *Human Resource Management International Digest*, 18(4), 14-19.
- Javaid, M.A., Hussain, S., Maqsood, A., Arshad, Z., Arshad, A., & Idrees, M. (2011). Electrical energy crisis in Pakistan and their possible solutions. *International Journal of Basic & Applied Sciences IJBAS-IJENS*, 11(5), 38.
- Kazmi, S.H. (2013). Pakistan's Energy Crisis. *The Diplomat*. Retrived from <https://thediplomat.com/2013/08/pakistans-energy-crisis/>
- Kessides, I.N. (2013). Chaos in power: Pakistan's electricity crisis. *Energy policy*, 55(3), 271-285.
- Lodhi, R.N., & Malik, R.K. (2013). Impact of electricity shortage on daily routines: A case study of Pakistan. *Energy & Environment*, 24(5), 701-709.
- Mirza, F. M., Bergland, O., & Khatoon, I. (2016). Measuring the degree of competition in Pakistan's banking industry: An empirical analysis. *Applied Economics*, 48(53), 5138-5151.
- Tariq M.S., Nasir, M., & Arif, A. (2008). Residential demand for electricity in Pakistan. *The Pakistan Development Review*, 47(4), 457-467.
- The Express Tribune (2011). Two-day holiday: Interior ministry issues notification. Retrieved from <https://tribune.com.pk/story/273926/two-day-holiday-interior-ministry-issues-notification/>