

ETHICAL ISSUES IN PRIVATE COMMERCIAL BANKS IN PAKISTAN

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ABSTRACT

This research addressed the ethical issues in Private Commercial Banks in Pakistan. Data were collected from 500 respondents/Customers from cross sectional data by using simple random technique and data were analysed by using SPSS-18 version. A structural questionnaire was used as basic tool for data collection, analysis, validity and reliability. It was revealed that private commercial banks are not caring for the customers specially, four old Banks UBL, HBL, MCB, ABL. It was further concluded that most of the staff members who interact with the customers is non MBAs so that's why their attitude towards the customers are not friendly.

Keywords: Ethical, Issues, Private Commercial Banks

INTRODUCTION

Ethics may be defined as an individual's personal belief about whether a behavior, action or decision is right or wrong. Logic deals with the standard by which we judge statements to be true or false, and ethics deals with the standards by which we judge human actions to be right or wrong. Ethics are viewed in the context of individual. Individuals have ethics, organization do not. The concept of ethics is commonly identified as the branch of philosophy that studies what constitutes good and bad human conduct including related actions and values. It is normative science of the conducts of the people living in societies; a science, which guide these conducts to be right or wrong. The definition however, is static and does not reflect the continuous changes taking place in business and in our society at large. A dynamic definition of the ethics is concentrated with clarification of what constitutes human welfare and kind of conduct necessary to promote welfare. The study of moral obligation is called ethics. Business ethics is the study of moral problems that confront members of business organization and other who engage in business transaction. The ethical dimension of management is not limited to knowledge of the difference between right and wrong. It extends to choosing among different principles of moral obligations.

The main objective of this study is to assess the relevance of ethical issues in private commercial banks. In this regard, the study concentrates on the following specific objectives.

- To examine the qualities of a successful banker and their link with the moral values.
- To identify the ethical issues relating to appraisal of loan proposal.
- To identify the ethical issues relating to maintenance of secrecy of account holder.
- To identify the ethical issues with regard to realization of dues from customers.

LITERATURE REVIEW

Privatization is done could result in either a successful or unsuccessful privatization, we have focused especially on the work done that pointed out this chapter has been divided in two main sections Section-1 pertains to financial sector reforms and section-2 comprises stress testing. The recent work has done by Ghani (2008) he

express his views that future of Islamic banking in Pakistan is bright compare with conventional banks operated in Pakistan. What is needed is the designing of a sound legal framework with no ambiguities form religious point of view (Ghani, 2008). In Pakistan Islamic banking is growing rapidly. The government is very much committed to revolutionize its economic system according to the Islamic Shariah as mentioned in the 1973 constitution of Islamic Republic of Pakistan. Islamic banks can play important role in transforming the economic system according to the Islamic Shariah.

Islamic banking always focuses on the customer satisfaction and making progressing at desirable rate. The number of account holders has increased by 200% since 2005 with approximate 81% increase in year 2007 alone as compared to 2006 (Khan, 2008).

DATA COLLECTION METHODOLOGY

Data were collected from 500 respondents/Customers from cross sectional data by using convenience sampling method and data were analysed by using SPSS-18 version. A structural questionnaire was the basic tool for data validity and reliability.

RESULTS & DISCUSSIONS

- *Moral values link with Successful Banker*

Private Commercial Banks usually issue a job description to its official that contains specific job responsibility to be discharged by the incumbents. A typical job structure specifies the job to be done by the banker with in the specific time limit. The respondents of this study identify some qualities of a banker that are acquired for discharging responsibilities successfully. The qualities as identified by the respondents have exhibited in the following table.

Table-1

Quality	Frequency
• Knowledgeable	67%
• Efficiency in Performing the responsibility	70%
• Punctual	80%
• Helpful	52%
• Honesty	80%
• Transparency	20%
• Awareness	10%

Surey-2011

It is evidence from the above 67% of the respondents identify knowledgeable, and 70 percent respondents identify the efficiency in performing the responsibility, 80% of the respondents are identify the punctual, 52 % respondents identified that they are help in relation to satisfy the customers. 20% of the responsibility identifies the transparency and 10% in relation to awareness.

Table-2 Appraisal of loan proposal and unethical Action Thereof

Unethical Action	Frequency
• Overvaluation of Collateral	70%
• Approval false Financing Schemes	60%
• Concealment of Facts	70%
• Evil Nexus of bankers with customers	48%
• Overestimation of Projected revenue	50%
• Unnecessary delay in sanctioning loans	20%
• Ignoring accounts status of customers	10%
• Ignoring Banking Guidelines	14%

It was revealed from Table-2. That the 70% of the respondents identify overvaluation of collateral, 60 percent respondents identify the approval of false financing schemes, 70% of the respondents are identify the Concealment of facts, 48% respondents identified that they evil nexus of bankers with customers. 50% of the respondents identify the Overestimation of projected revenue, 20% respondents identify unnecessary delay in sanctioning loans, 10% of the respondents identify the ignoring accounts status of customers and 14% of the respondents identify Ignoring banking guidelines.

Table-3 Banker’s role as Guarantor and Unethical actions thereof:

Unethical Action	Frequency
• Issues of guarantee without assessing the element of Risk	40%
• To act as guarantor without either adequate security or counter guarantee of the customers	30%
• To act as guarantor without ensuring the credit worthiness of the borrower	20%
• Influencing the bank officials to release from guarantee	20%
• To try to know the secret of customers business	30%
• Denial by the Guarantor to follow the guarantee clause	20%

It was revealed from the table-3. That the 0% of the respondents giving guarantee without assessing elements of risk and without ensuring credit worthiness without borrower, 30 percent To act as guarantor without either adequate security or counter guarantee of the customers,20%respondents identify To act as guarantor without ensuring the credit worthiness of the borrower, 20 percent of the respondents are identify Influencing the bank officials to release from guarantee, 30 percent of the respondents identify the To try to know the secret of customers business, and 20% respondents identify the Denial by the Guarantor to follow the guarantee clause.

Table-4 Realizing of dues from customers and Unethical Actions Thereof:

Unethical Action	Frequency
• Allowing more time to the customer than grace period	80%
• Influencing the customers to divert the loans in other purpose.	70%
• Maintaining unauthorized relationship with customers	60%
• Sending the legal notice after due date	50%
• Fixing up payment schedule without considering surplus generation capacity of the borrower.	60%
• Frequent persuasion not made	60%

Survey-2011

It is evident from the Table-4-that 80% of the respondents allowing more time to the customer than grace period, 70 percent of the respondents identify Influencing the customers to divert the loans in other purpose, 60 percent of the respondents identify Maintaining unauthorized relationship with customers,50 percent of the respondents identify Sending the legal notice after due date, 60 percent of the respondents identify Fixing up payment schedule without considering surplus generation capacity of the borrower, 60 percent of the respondents revealed that Frequent persuasion not made.

Table-5 Bankers as representative or agent on behalf of customers and unethical Actions Thereof:

Unethical Action	Frequency
• Collection of crossed cheque (payees account only)	50%
• Collection of cheque (payees account only) for person other than the actual payee	60%
• Collection of cheque crossed not negotiable	60%
• Serving as an agent for any amount incompatible	70%

It was revealed from table-5 that 50% of the respondents identify the Collection of crossed cheque (account payee), 60 percent of the respondents identify the Collection of cheque (accounts payee) for person other than the actual payee

60 percent of the respondents identify the Collection of cheque crossed not negotiable, 70 percent of the respondents identify the Serving as an agent for any amount incompatible.

CONCLUSION

The present study makes an attempt to explore the unethical actions of different dimensions with the help of Bankers/Customers opinion. The unethical actions identified by the maximum respondents is the most unethical actions like Influencing the customers to divert the loans in other purposes, delay in sanctioning loan, sending the legal notice after due date and fixing up payment schedule without considering surplus generation capacity of the borrower. Immoral or unethical acts as taken by the banker not only harm the financial health of the commercial bank, but it contributes towards financial in discipline in the other sectors of the economy too. Banking Companies Act 1991 directed stern legal action against the parties involved in some unethical dealings. In spite of these clauses the banking judicial system has left some culprits beyond the law. Rapid departmental actions against the bankers involved in unlawful activities and adoption of universal code of ethics by the professional bodies of the bankers simultaneously may improve the present miserable condition to the greater extent.

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