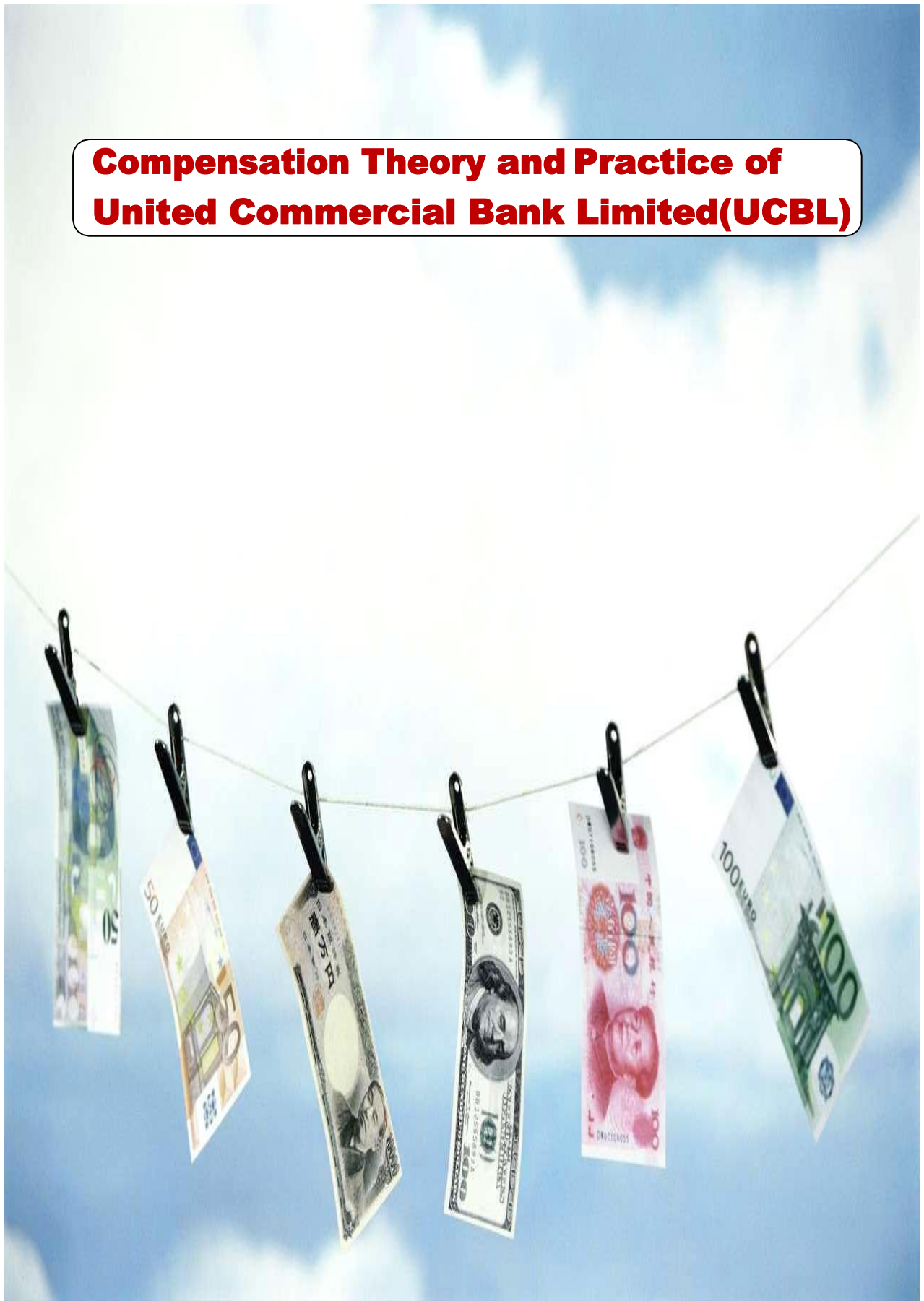


Compensation Theory and Practice of United Commercial Bank Limited(UCBL)



Compensation Theory And Practice of UCBL

Course code: BUS-699



Submitted to
MR. SHAMIM E. HAQUE
ASSISTANT PROFESSOR
BRAC BUSINESS SCHOOL

Submitted by
POLI KHANOM
ID: 12264087

BRAC Business School
BRAC University, DHAKA

LETTER OF SUBMISSION

July 31, 2015

Shamim E. Haque

Assistant Professore

BRAC Business School

BRAC University, Dhaka

Subject: Letter of Submission.

Dear Sir,

It is an enormous pleasure to submit my internship report titled “*Compensation Theory and Practice of UCBL*” assigned as a requirement of my internship.

In preparing this report I have acquired much knowledge about compensation. I have tried my best to furnish this report with relevant data, which I had to collect from online and related journal. I hope this report will help the organization sector to gather some insights on the windows to do further studies in this aspect.

I would like to convey our tributes to you and thank you for giving me the opportunity to work on this topic. Your queries in this aspect will highly be expected.

Thank you

Sincerely yours

(Poli Khanom)

ID: 12264087

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Executive summary

A good compensation system is very much effective for an organization. It makes an opportunity for high involvement for the employee of an organization. Employees can compare themselves with others. It was a great opportunity for us to make a report on compensation. The titled of this term paper is “*Compensation Theory and Practice of UCBL*”.

UCB is one of the oldest private banks in Bangladesh. Sponsored by some dynamic and reputed entrepreneurs and eminent industrialists of the country and also participated by the Government. Being one of the first generation private sectors Bank in Bangladesh, it started its commercial operations from mid 1983. United Commercial Bank Limited incorporated on 26 June, 1983 as a public company with limited liability under the Companies Act 1993. The bank obtained permission to commence business with effect from 27 June, 1983. Finally started banking operations on 29 June 1983 with an authorized capital of Tk. 100 million divided into 1 million ordinary shares of Tk. 100 each

Compensation is the sum total of all forms of payments or rewards provided to employees for performing tasks to achieve organizational objectives. According to Byars and Rue “Compensation refers to the extrinsic rewards that employees receive in exchange for their work. It is composed of the base wage or salary and incentives or bonuses and any benefits.” Compensation impacts an employer’s ability to attract and retain employees

I divided this report into four main chapters. In First chapter I discussed detail about compensation include types of compensation. Generally compensation can be classified into two parts that is direct and indirect compensation. Direct compensation is remuneration provided to employees in exchange for their labor and services. What makes it direct is that it is given to the employee without an intermediary. On the other hand indirect compensations are provided for the employee's benefit, but is not given directly to the employee.

The broad objective of the term paper is to discover the practice of compensation system in the selected organization and to relate classroom study with that of real life situation. Also there are some short objectives these are to identified the theories behind compensation and find out how management in the selected organizations is dealing with compensation system mainly.

In second chapter I have putted some theory of compensation with some major component of compensation. In this part I also mentioned the overview of United Commercial Bank Ltd (UCBL).

After that in third chapter I have provide the major findings. The compensation system of UCB and discuss many types of compensation and benefit that UCB provide to their employee. SWOT analysis of UCB also show in this part.

At the end of the report I am trying to give come recommendation that can be helpful of this organization with conclusion. Some References and the questionnaire.

I have given my honest and sincere efforts while preparing this report. All my exertion and efforts will be successful if it becomes helpful to United Commercial Bank Ltd (UCBL).

CHAPTER I

INTRODUCTION

1.1 Statement of the problem

Employees need to be compensated for their efforts based on volume of time or volume of production. Compensation refers to all forms of financial rewards received by employees. It arises from their employment. It occupies an important place in the life of the employee. It is a considerable cost to the employer. Compensation dissatisfaction can lead to absenteeism, turnover, job dissatisfaction, low performance, strikes and grievances. Majority of labor-management disputes relate to compensation.

“Compensation refers to the extrinsic rewards that employees receive in exchange for their work. It is composed of the base wage or salary and incentives or bonuses and any benefits.”

-

Byars and Rue

Compensation is a key factor in attracting and keeping the best employees and ensuring that the organization has the competitive edge in an increasingly competitive world. The Compensation Management component enables to differentiate between the remuneration strategies and those of competitors while still allowing flexibility, control and cost effectiveness. It provides a toolset for strategic remuneration planning that reflects the organization culture and pay strategies, and it empowers line managers within a framework of flexible budget control. Compensation Management allow to control bottom-line expenditures and offer competitive and motivating remuneration, be it fixed pay, variable pay, stock options, merit increases, or promotion – in other words, total compensation.

1.2 Definition of Compensation

According to Handerson “a step by step approach for designing a remuneration system that recognizes job requirements, employee related knowledge and skills and performance related incentives that link individual, work unit and organizational performance”

Total remuneration also includes a host of benefits that protect and expand the life style and health of workers and their families.

Compensation is the remuneration received by an employee in return for his/her contribution to the organization. It is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary benefits to employees. Compensation is an integral part of human resource management which helps in motivating the employees and improving organizational effectiveness.

1.3 Types of Compensation

Compensation can be of two types. They are Direct or Indirect Compensation

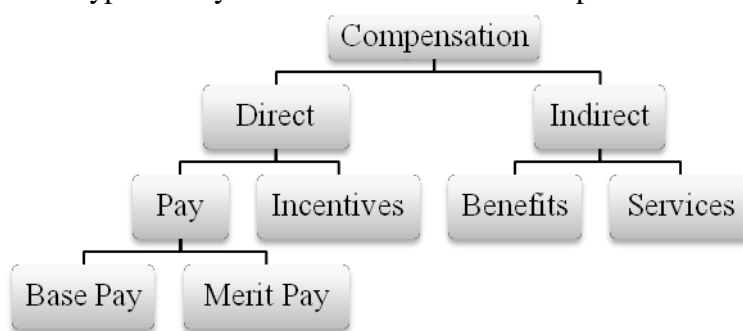


Figure 1 Types of Compensation

Source: *Dynamics of Human Resources Management in Nepal*, Govind Ram Agrawal (Pg – 356)

Direct compensation is remuneration provided to employees in exchange for their labor and services. What makes it direct is that it is given to the employee without an intermediary. Under direct compensation there are two sub types of compensation.

- Pay: It consists of wages and salaries received for performing work. It can be base pay and merit pay based on job performance.
- Incentives: They are provided for higher performance. They can be piece wage, commission, bonus, profit sharing, stock option etc.

Direct compensation refers to monetary benefits offered and provided to employees in return of the services they provide to the organization. The monetary benefits include basic salary, house rent allowance, conveyance, leave travel allowance, medical reimbursements, special allowances, bonus, Pf/Gratuity, etc. They are given at a regular interval at a definite time.



Fig 2. Direct compensation

Indirect compensations are provided for the employee's benefit, but are not given directly to the employee. Under indirect compensation there are two types of compensation

- Benefits are the payments addition to pay. They can be
 - Pay for time not worked: Paid vacation, holidays, leaves
 - Protection Programs: Pension, gratuity, insurance etc
 - Executive Benefits: Free Newspapers, telephone rental etc
- Services and Perquisites: They increase employees wellbeing at no cost or significantly reduced cost to employees. They can be
 - Housing, transport, food
 - Loans, children's education expenses
 - Discount on purchases, credit cards
 - Social-cultural recreational activities; club subscriptions.

Indirect compensation include Leave Policy, Overtime Policy, Car policy, Hospitalization, Insurance, Leave travel Assistance Limits, Retirement Benefits, Holiday homes.



Fig 3. Indirect Compensation

1.4 Components of Compensation System

Compensation systems are designed keeping in mind the strategic goals and business objectives. Compensation system is designed on the basis of certain factors after analyzing the job work and responsibilities. Components of compensation system are as follows:

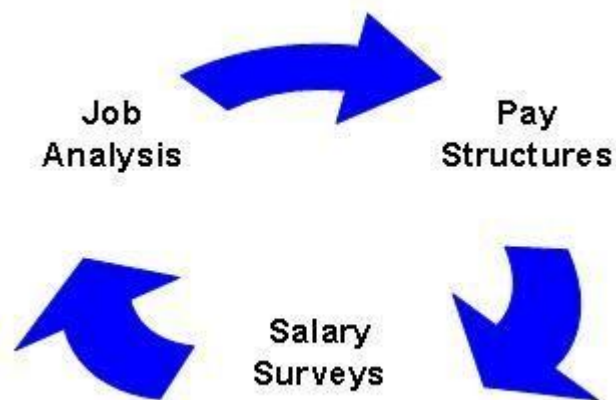


Fig 4. Components of compensation system

1.5 Objectives of Study

1.5.1 Broad Objective

(1) To discover the Practice of Compensation System in the selected organization

In contrast to theories, many business firms of Bangladesh have the least or even no exposure to one of the crucial areas of business - Human Resource Management. But since every organization is made up of people, compensating them, acquiring their services, developing their skills, motivating them to high levels of performance, and ensuring that they continue to Maintain their commitment to the organization is essential to achieving organizational objectives. We will find out how management in the selected organizations is dealing with compensation system mainly.

(2) To relate classroom study with that of real life situation

Real life business is far more different from our classroom studies. Sometimes the books we read are the oversimplification of facts and most of the time actual practices don't match with the theories written in books. So our objective is to relate our classroom studies with real life scenario and get a clear view of what actually is happening in the area of Human Resource Management of the selected banks.

1.5.2 Short Objective:

- To know theories behind compensation
- To know Compensation types
- To discover the Practice of Compensation System in the selected organization
- To relate classroom study with that of real life situation
- Find out how management in the selected organizations is dealing with compensation system mainly.

1.6. Scope of the Study

Although we hear people saying that they do not care for money but they do care for the feeling of belongingness to their organization it goes without saying that money is a major motivator. It is through compensation by which a relatively effective and satisfied working force is sustained. The maintenance of employee co-operation is largely dependent upon the answers of following questions:

- Whether the company's compensation rates are better than those of the segment market?
- What indirect plans of compensation are commonly used in the organization?
- What specific plans are available from which to choose?
- What benefits, incentives and rewards are provided?
- Whether these policies are transparent to the employees and practiced without any distortion?

I have basically judged the organizations on the basis of the above criteria. As it is beyond my scope to focus on each and every bank, I have chosen one PCBs (Private Commercial Banks) – That is United Commercial Bank Ltd.

In this report, I have covered the different aspects of human resource maintenance functions. Since the reward system of an organization is the primary maintenance tool in human resource management area, I have specifically focused our discussion on this area. The reward system includes both intrinsic and extrinsic rewards. But intrinsic rewards are completely qualitative and very hard to measure. It requires a lot of research work. So I have excluded intrinsic rewards from our discussion. My discussion will be about the extrinsic rewards both monetary and non-monetary. I will discuss about the base salary, incentives and benefits under the monetary rewards. I will also try to find out what non-monetary rewards are given in the selected organizations. The report will thus gather information, classify them and eventually lead to the comparison between the two strongest banking sectors of Bangladesh.

1.7 Limitations

It is really very difficult to find out every single issue within this limited period of time. Overallly the limitations those I have faced are:

- Time Frame
- Access to more internal information
- It was really difficult for us to accumulate confidential financial data.
- The company does not have sufficient source of secondary data and collecting of Data was not smooth.
- Since maintenance function entails a vast area it was beyond our scope to describe and investigate each and every topic though we tried to cover all the important aspects to make our report a comprehensive one.
- The management of our selected organizations was somewhat reluctant to reveal all the information about their policies. They did not particularly provide the amount of salaries or the policies to give incentives.
- The hierarchies of the selected banks are so different that it is very difficult to find out the same level positions and compare their salary ranges.

1.8. Methodology

In order to supplement my theoretical knowledge in Human Resource Management with practical exposure, I have collected data from the organization and regarding real life scenario. The content of this report is thought to be quite confidential with the organization. So, I had to spend a long time to convince the human resource managers of UCBL to help me. I had to convince them about the fact that this report is totally for internal purpose to supplement my theoretical knowledge. I arranged appointments with the employees of UCBL and interviewed them. I asked them about compensation system, salary ranges and the basis of allocating incentive. Thus I gathered my required information.

The office of UCBL held in Dhaka and so many places. Data used in this study were collected from the following source

Primary source

- Face to face interview
- Survey using questionnaires
- Personal observation while visiting the company

Data collection

Employee were interviewed through structured questionnaire.

Designing questionnaire

Structured questionnaires have been used for this study in with multiple choice and open ended question.

Secondary data

- Annual report
- Internet
- HR Books
- Newspapers Clips
- Journals.

CHAPTER II

THEORY AND COMPANY OVERVIEW

2.1. Theory behind Compensation

2.1.1. Reinforcement and Expectancy Theories

Reinforcement theory states that a response followed by a reward is more likely to recur in the future (Thorndike's Law of Effect). The implication for compensation management is that high employee performance followed by a monetary reward will make future high performance more likely. By the same token, high performance not followed by a reward will make it less likely in the future. The theory emphasizes the importance of a person actually experiencing the reward.

Like reinforcement theory, expectancy theory (Vroom, 1964) focuses on the link between rewards and behaviors (instrumentality perceptions), although it emphasizes expected (rather than experienced) rewards (i.e., incentives). Motivation is also a function of two other factors: expectancy, the perceived link between effort and performance, and valence, the expected value of outcomes (e.g., rewards). Compensation systems differ according to their impact on these motivational components. Generally speaking, pay systems differ most in their impact on instrumentality: the perceived link between behaviors and pay also referred to in the pay literature as "line of sight." Valence of pay outcomes should remain the same under different pay systems. Expectancy perceptions often have more to do with job design and training than pay systems.

2.1.2. Equity Theory

Equity theory suggests that employee perceptions of what they contribute to the Organization, what they get in return, and how their return-contribution ratio compares to others inside and outside the organization, determine how far they perceive their employment Relationship to be (Adams, 1963). Perceptions of inequity are expected to cause employees to take actions to restore equity. Unfortunately, some such actions (e.g., quitting or lack of cooperation) may not be helpful to the organization. Two recent empirical studies provide good examples of the types of counterproductive behaviors that can occur as a result of perceived inequity. In the first study, Greenberg (1990) examined how an organization communicated pay cuts to its employees and

the effects on theft rates and perceived equity. Two organization units received 15% across-the-board pay cuts. A third unit received no pay cut and served as a control group. The reasons for the pay cuts were communicated in different ways to the two pay-cut groups. In the "adequate explanation" pay-cut group, management provided a significant degree of information to explain its reasons for the pay cut, and also expressed significant remorse. In contrast, the "inadequate explanation" group received much less information and no indication of remorse. The control group received no pay cut (and thus no explanation).

The control group and the two pay-cut groups began with the same theft rates and equity perceptions. After the pay cut, the theft rate was 54% higher in the adequate explanation group than in the control group. However, in the "inadequate explanation" condition, the theft rate was 141% than in the control group. In this case, communication had a large, independent effect on employees' attitudes and behaviors.

Cowherd and Levine (1992) used a sample 102 business units in 41 corporations to examine whether the size of the pay differential between lower-level employees and top management had any impact on product quality. Cowherd and Levine suggest that individuals often compare their pay to that of people higher in the organization structure. If lower-level employees feel inequitably treated, they may seek to reduce their effort to achieve equity. Quality, in their study, was defined as customer perceptions of the quality of goods and services. They hypothesized that extra role, or citizenship behaviors, such as freely offering to help others, following the spirit rather than letter of rules, and correcting errors that would ordinarily escape notice, would be less likely when pay differentials between hourly and top managerial employees were large. Their results supported this hypothesis, suggesting that Employees may use other comparisons standards also, such as their previous or expected future jobs or cost of living. Organizations need to take care that they not forget the potential adverse motivational consequences of executive pay for the motivation of other employees.

2.1.3. Agency Theory

Agency theory, until recently best known in the economics, finance, and law literatures, focuses on the divergent interests and goals of the organization's stakeholders, and the ways that employee compensation can be used to align these interests and goals (Eisenhardt, 1989; Fama & Jensen, 1983). Ownership and management (or controls) are typically separate in the modern

corporation, unlike the days when the owner and manager was often the same person. With most stockholders far removed from day-to-day operations, so-called agency costs (i.e., costs that arise from the interests of the **principals/owners** and their **agents/managers** not converging are created. What is best for the agent/manager may not be best for the owner. Examples of agency costs include management spending money on perquisites (e.g., "superfluous" corporate jets) or "empire building" (acquisitions that do not add value to the company but may enhance the manager's prestige or pay) rather than seeking to maximize shareholder wealth (Lambert & Larcker, 1989). In addition, the fact that managers and shareholders may differ in their attitudes toward risk gives rise to agency costs. Shareholders can diversify their investments (and thus their risks) more easily than managers can diversify risk in their pay. As a consequence, managers may prefer relatively little risk in their pay (e.g., high emphasis on base salary, low emphasis on uncertain bonuses or incentives). Indeed, research shows that managerial compensation in manager-controlled firms is more often designed in this manner (Tosi & Gomez-Mejia, 1989). Agency costs also stem from differences in decision-making horizons. Especially where managers expect to spend little time in the job or with the organization, they may be more inclined to maximize short-run performance (and pay), perhaps at the expense of long-term success.

Agency theory is also of value in the analysis and design of non-managers' compensation. In this case, the divergence of interests may exist between managers (now in the role of principals) and their employees (who take on the role of agents). In designing either managerial or non-managerial compensation, the key question is, "How can such agency costs be minimized?" Agency theory says that the principal must choose a contracting scheme that helps align the interests of the agent with the principal's own interests (i.e., reduces agency costs). These contracts can be classified as either behavior oriented (e.g., merit pay) or outcome oriented (e.g., stock options, profit sharing, commissions). At first blush, outcome-oriented contracts seem to be the obvious solution. If profits are high, compensation goes up. If profits go down, compensation goes down. The interests of "the firm" and employees are aligned. An important drawback, however, is that such contracts increase the amount of risk borne by the agent. Furthermore, because agents are averse to risk, they may require higher pay (a compensating wage differential) to make up for it. Behavior-based contracts, on the other hand, do not transfer risk to the agent, and thus do not require a compensating wage differential. However, the principal must be able to monitor with little cost what the agent has done. Otherwise, the principal must either invest in monitoring/information or structure the contract so that pay is linked at least partly to outcomes.

Which type of contract should an organization use? It depends partly on the following factors (Eisenhardt, 1989):

- Risk aversion. Risk aversion among agents makes outcome-oriented contracts more costly.
- Outcome uncertainty. Profit is an example of an outcome. Linking pay to profits (outcome-based contract) is more costly to the extent that profits vary and so there is a risk of low profits.
- Job programmability. As jobs become less programmable (i.e., less routine and less structured), and more difficult to monitor, outcome-oriented contracts become more likely. The increasing complexity of organizations and technology makes monitoring more difficult, and may help explain the growing use of variable pay programs (discussed below), which are examples of outcome-based contracts. Consistent with this idea, outcome-oriented contracts (e.g., profit sharing and stock plans) are more prevalent in research and development organizations, where monitoring is especially difficult (Milkovich, Gerhart, & Hannon, 1991). Pay levels are also higher, consistent with the idea that employees must be compensated for sharing more risk.
- Measurable job outcomes. When outcomes are more measurable, outcome-oriented contracts are more likely.
- Ability to pay. Outcome-oriented contracts contribute to higher compensation costs because of the risk premium.
- Tradition. A tradition or custom of using (or not using) outcome-oriented contracts will make such contracts more (or less) likely.

2.2 Major Components of compensation

Basic wages/Salaries:

These refer to the cash component of the wage structure based on which other elements of compensation may be structured. It is normally a fixed amount which is subject to changes based on annual increments or subject to periodical pay hikes. It is structured based on the position of an individual in the organization and differs from grades to grades.

Dearness allowance:

The payment of dearness allowance facilitates employees and workers to face the price increase or inflation of prices of goods and services consumed by him. The onslaught of price increase has a major bearing on the living conditions of the labor. The increasing prices reduce the compensation to nothing and the money's worth is coming down based on the level of inflation.

The payment of dearness allowance, which may be a fixed percentage on the basic wage, enables the employees to face the increasing prices.

Bonus:

The bonus can be paid in different ways. It can be fixed percentage on the basic wage paid annually or in proportion to the profitability. The Government also prescribes a minimum statutory bonus for all employees and workers.

There is also a bonus plan which compensates the Managers and employees based on the sales revenue or Profit margin achieved. Bonus plans can also be based on piece wages but depends upon the productivity of labor.

Commissions:

Commission to Managers and employees may be based on the sales revenue or profits of the company. It is always a fixed percentage on the target achieved. For taxation purposes, commission is again a taxable component of compensation.

The payment of commission as a component of commission is practiced heavily on target based sales. Depending upon the targets achieved, companies may pay a commission on a monthly or periodical basis.

Mixed plans:

Companies may also pay employees and others a combination of pay as well as commissions. This plan is called combination or mixed plan. Apart from the salaries paid, the employees may be eligible for a fixed percentage of commission upon achievement of fixed target of sales or profits or Performance objectives.

Nowadays, most of the corporate sector is following this practice. This is also termed as variable component of compensation.

Piece rate wages:

Piece rate wages are prevalent in the manufacturing wages. The laborers are paid wages for each of the Quantity produced by them. The gross earnings of the labor would be equivalent to number of goods produced by them.

Piece rate wages improves productivity and is an absolute measurement of productivity to wage structure. The fairness of compensation is totally based on the productivity and not by other qualitative factors.

The GANTT productivity planning and Taylor's plan of wages are examples of piece rate wages and the related consequences.

Sign on Bonuses:

The latest trend in the compensation planning is the lump sum bonus for the incoming employee. A person, who accepts the offer, is paid a lump sum as a bonus. Even though this practice is not prevalent in most of the industries, Equity research and investment banking companies are paying this to attract the scarce talent.

Profit sharing payments:

Profit sharing is again a novel concept nowadays. This can be paid through payment of cash or through ESOPS. The structuring of wages may be done in such a way that, it attracts competitiveness and improved productivity.

Profit sharing can also be in the form of deferred compensation at the time of retirement. At the time of retirement the employees may be paid a lump sum or retrial benefits.

Fringe benefits:

The provision of fringe benefits does not attract any explanation. These include.

- Company cars
- Paid vacations
- Membership of social/cultural clubs
- Entertainment tickets/allowances.
- Discounted travel tickets.
- Family vacation packages.

Reimbursements:

Employees, depending upon their gradations in the organization may get reimbursements based on the Expenses incurred and substantiated. Certain expenses are also paid based on expenses incurred during the course of business.

In many cases, employers provide advances to the employees for incurring certain expenses that are incurred during the course of the business.

Some examples are-

- Travel expenses.
- Entertainment expenses
- Out of pocket expenses
- Refreshments expenses during office routine outside office premises.

Sickness benefits/pregnancy:

The increasing social consciousness of corporate had resulted in the payment of sickness benefit to the Employees of companies. This also includes payments during pregnancy of women employees.

The expenses incurred due to injury or illness are compensated or reimbursed to the employees. In certain companies, the death of an employee is compensated financially. Companies are also providing supporting financial benefits to the family of the bereaved employees. However, companies covering these cost through appropriate insurance policies like, Medical and life insurance. The whole idea of compensation management can be better understood through the following Pyramid structure.

2.3. Overview of United Commercial Bank Ltd.

UCB is one of the oldest private banks in Bangladesh known as “United Commercial Bank Limited. Sponsored by some dynamic and reputed entrepreneurs and eminent industrialists of the country and also participated by the Government. Being one of the first generation private sectors Bank in Bangladesh, it started its commercial operations from mid 1983. United Commercial Bank Limited incorporated on 26 June, 1983 as a public company with limited liability under the Companies Act 1993. The bank obtained permission to commence business with effect from 27 June, 1983. Finally started banking operations on 29 June 1983 with an authorized capital of Tk. 100 million divided into 1 million ordinary shares of Tk. 100 each.

2.3.1. Background of United Commercial Bank Ltd (UCBL)

Sponsored by some dynamic and reputed entrepreneurs and eminent industrialists of the country and also participated by the Government, UCB started its operation in mid 1983 and has since been able to establish one of the largest networks of 148 branches among the first generation banks in the private sector. With its firm commitment to the economic development of the country, the Bank has already made a distinct mark in the realm of Private Sector Banking through personalized service, innovative practices, dynamic approach and efficient Management. The Bank, aiming to play a leading role in the economic activities of the country, is firmly engaged in the development of trade, commerce and industry through a creative credit policy.

2.3.2. Mission & Vision

To be the bank of 1st choice through maximizing value for our clients, shareholder and employees and contribution to the society. The Mission of the United Commercial Bank Ltd (UCBL) is to be the Premier Financial Institution in the country providing High Quality Products and Services backed by Latest Technology and a Team of Highly Motivated Personnel to deliver Excellence in Banking. “The stars in the seven skies sparkle in brilliance and twinkle in blissful beauty. We wonder at them in profound admiration and speculation.

At United Commercial Bank we draw our inspiration from the distant stars. Our team is committed to assure a standard that makes every banking transaction a pleasurable experience. Our people, products and processes are aligned to meet the demand of our discerning customer. Our goal is to achieve a distinction like the luminaries in the skies. Our prime objective is to deliver a quality that demonstrates a true reflection of our vision - Excellence in Banking.”

2.3.3 Corporate Information of UCB at A Glance

Registered Name	United Commercial Bank Limited
Registered Head Office	CWS(A)-1,Gulshan Avenue, Dhaka-1212, Bangladesh
Bank Type	Private Commercial Bank, Local
Started Operation on	June 29,1983
Number of Branches	148
Number of ATM Booth	103
Contact	website: www.ucbl.com Phone: 88-2-8852500

2.3.4 Management

The Bank has in its Management a combination of highly skilled and eminent bankers of the country of varied experience and expertise successfully led by Mr. Muhammad Ali, a dynamic banker, as its Managing Director and well educated young, energetic and dedicated officers working with missionary zeal for the growth and progress of the institution.

2.3.5 Senior Management

Managing Director

Mr. Muhammad Ali

Additional Managing Director(Operation)

Mr. M Shahidul Islam
Mr. M R Rahman
Mr, A E A Muhimen

Deputy Managing Director (Corporate Banking Division)

Mr. MD. Tarikul Azam

Deputy Managing Director (International Division)

Mr. MD.Shawkat Jamil

Deputy Managing Director

Mr. Sohrab Mustafa

Deputy Managing Director

Mr. Golam Awlia

Senior Executive Vice President

Mr. MD Jahirul Alam

Mr. Mohammad Qumrul Hasan

Mr. Md. Asaduzzamzn

Mr. Abul Alam Ferdos

Mr. Barun Kanti Saha

Mr. Md. Mustafa Tareq

Executive Vice President

Mr.Ekram Ullah

Mr. Habibur Rahman

Mr. Didarul

Md. Abdul Mazed

Senior Vice President

Mr. Kazi Muzibul Islam

Mr. MD. Forhad Hossain

Mr. MD. Khorshed Alam

Mr. Mohammad Iqbal

Mr. Shadidul Amin

Mr. Iqbal Hasan

Mr. Amed Saiful Huda

Mrs. Arjuman Banu

Mr. Md. Ahaduzzaman

Mr. Md. Jasim Uddin

Mr. Md. Habibur Rahman

Mr. Md. Habibur Morsalin

Mr. Md. Shahadat Hossain

Shohag Mr. Mian Quamrul Hasan Chowdhury

Mr. Md. Ehsanul Kabir

Mr. Abu Nur Md. Parvez Sajjad

Mr. Mizanur Rahman

Mr. Kazi Muzibul Islam

2.3.6 Products & Services of UCB

UCB Multi Millionaire

UCB Money Maximizer

UCB Earning Plus

UCB DPS Plus

Western Union Money Transfer

SMS Banking Service

Online Service

Credit Card

One Stop Service Time

Deposit Scheme Monthly

Savings Scheme Deposit

Insurance Scheme

Inward & Outward Remittances

Travelers Cheques

Import Finance

Export Finance

Working Capital Finance

Loan Syndication

Underwriting and Bridge Financing

Trade Finance

Industrial Finance

Foreign Currency Deposit A/C

NFCD (Non Resident Foreign Currency Deposit Account)

RFCD (Resident Foreign Currency Deposit Account)

Consumer Credit Scheme

Locker Service

2.3.7 Branches & ATM Booth of UCB



CHAPTER III

FINDINGS

3.1 Total Compensation and Benefits Package of UCBL

3.1.1 Objectives

This chapter outlines the rules relating to compensation structure and the benefit package of the Bank and gives detailed procedures for exercising them in order to promote fair treatment and consistency within the organization.

3.1.2 Salary Structure

Refer to the Salary & Remuneration Package Structure for Supervisors and Executive Staff of UCBL for details regarding the structure of salary and allowances for different units under UCBL.

3.1.3 Revision of Pay Elements

The compensation structure may be revised, if necessary, with the approval of the Director, Admin/HR, and Head of the Dept., Finance and the Chief Executive.

3.1.4 Employee Compensation Records

Employee Pay Records are maintained by the Personnel & Admin Department for Workers and Supervisors and by the Human Resource Department for the Executives. These departments maintain personal file of all employees where all records in regards to the employee are kept in addition to any soft copy (in computer database) maintained by the departments. These records are confidential and should not be accessible to any unauthorized persons (authorization defined by HR or Personnel & Admin dept. head).

3.2 Basic Employee Benefits for Permanent Employees

3.2.1 Provident Fund

The Company's Provident Fund is a funded scheme. All confirmed and permanent employees are entitled to be members of the Provident Fund. The employee contribution, equal to 10% of the basic salary, is deducted each month through the payroll. The Company's Provident Fund is a funded scheme. All long-established and enduring employees are at liberty to be members of the

Provident Fund. In the Provident Fund Ledger, both the employee's and the Company's contributions are accredited to the individual employee's account.

3.2.2. Bonuses

All confirmed Permanent employees of United Commercial Bank Limited are entitled to one Annual Bonus each equivalent to “Basic Salary” under the following conditions:

Attendance in the Calendar Year	Bonus Entitlement
200 days +	100% of the Bonus
90 days +	50% of the Bonus

3.2.3 Accommodation

The Bank on the basis of requirements and availability provides accommodation to UCBL’s Top Executives at their own established facilities in Dhaka city. Outside the Dhaka city, the Bank provides expenses for the accommodation.

3.3 Utilities Allowances

Designation	Electricity (Limit/Mont h) Taka	Gas (Limit/Mont h) Taka	Water (Limit/Mont h) Taka	Telephone (Local & NWD) (Limit/Mont h) Taka
Manager / Sr. Manager	2,500	At Actual	At Actual	At Actual
EVP and above	At Actual	At Actual	At Actual	At Actual
Other employees	1500	450	1000	No

The Accounts Department will make compensation payment to the employee within 30 days from the date of submission. Telephone bill has to be forwarded to the HR department, and then they forwarded that bill to IT department, so payments can be made by the company, if it is in the name of the Bank.

3.4. Mobile Telephone

Based on the UCBL's business need, a mobile telephone provided to a permanent or contract employee. To receive this benefit, a written application should be forwarded to the Department Head, IT upon approvals of the employee's Department Head and In charge of the site/factory if applicable. The mobile phone is to be used first and foremost for business purpose, though can be utilized for being in contact with the family members, if necessary with logical discretion due to the high cost of mobile phone usage.

3.5. Medical Benefits

Medical Benefits for the Executive Staff

The bank will compensate the cost of authorized medical treatments in Bangladesh including hospitalization, surgical and child birth subject to the conditions mentioned here. The Bank reserves the right to approve the Medical Practitioner consulted. Dental treatment included as defensive measures, the Bank will reimburse for „Upper and Lower“ dental cleaning twice a year. Reimbursement of the cost will be restricted to the treatment of the executive, spouse and children. Expenditure on medical treatment of Executives is reimbursed by the company. Every employee is not getting the medical benefits.

3.6. Car Purchase Scheme

Board of directors is entitled to 24 hours company paid transportation. The company also pays for the fuel at cost, Driver's salary, and for all necessary maintenance/repair and administrative cost of the vehicle. Car purchase scheme has to be changed into (for the top management, middle management get allowance for driver and fuel cost but need to buy the car with own expense where loan facility is available from the bank/interest redemption)

LOAN SCHEME – All employees are eligible to any purpose loan provided they have served the organization for 2 years

3.7 Leave Entitlements

3.7.1 Basic Leave Types

All Permanent Executives of the Bank are entitled to various types of Leaves that are calculated based on calendar year and prorated from the date of joining the Bank's service for the first year. Leave entitlements of expatriate (Contract) employees shall be governed by their respective terms of employment with the company specified in the Appointment Letter.

The following are the Basic Leave entitlements for the Executives at Head Office:

Types of Leave	Days Per Year
Weekends (with full wages)	As per Section 5.5
Casual Leave (with full wages)	15
Sick Leave (with full wages)	10
Earned Leave	15
Public Holidays	As per list of holidays declared by the Govt.

The following are the Basic Leave entitlements for the Executives at Branches:

Types of Leave	Days Per Year
Weekends (with full wages)	As per Section 5.5
Casual Leave (with full wages)	15
Sick Leave (with full wages)	10
Earned Leave	15
Public Holidays	10 (minimum

3.7.2 Definitions of Basic Leave Entitlements

3.7.2. 1 Casual Leave

Entitlement to casual leave for the Executive at Head-Office and Branch Site, it is 15 days based on each calendar year. The employee is entitled to exercise Casual Leave from the very next day of joining; though the Casual Leave is pro-rated for the balance period of the year counting from the joining date.

Casual Leave can be taken with Weekends, Public Holidays, Earned Leaves, etc. but be limited to only 3 days.

3.7.2.2 Sick Leave

Entitlement to Sick Leave for the Executives at Head-Office and Branch Site it is 15 days on the basis of each calendar year. The employee is eligible to exercise the Sick Leave benefit from the date of his/her joining. The above entitlements represent the maximum number of days Sick Leave that an employee can avail in a year. If an employee is sick on Weekend or on a Public Holiday, that day will not be counted as a sick day and the number of Sick Leave taken out of his/her allocated days will be excluding those days.

3.7.2.3 Earned Leave

Entitlement to Earned Leave for the *Executives* at Head-Office and Branch Site is *15 days* on the basis of each completed year of service. The entitlement to Earned Leave is exclusive of Weekends and Public Holidays i.e., Weekends and Public Holidays falling during the annual leave taken will be considered additional to the entitlement.

Though Earned Leave is counted from the date of joining but it cannot be taken until the employee passes the probationary period receiving confirmation.

3.7.2.4 Maternity Leave

Married woman employees are entitled to Maternity Leave benefit as per "The Maternity Benefit Act, 1939". The period of Maternity Leave shall be 84 actual days of absence which shall include the Public Holidays and Weekends (non-working days) and including the day of delivery. The entitlement to maternity leave is to be availed as follows:

- Six weeks or 42 days immediately preceding and including the day of delivery.
- Six weeks or 42 days immediately following the day of delivery.
- A woman shall not be entitled to maternity leave unless she has been employed by the Bank for a period of not less than nine months immediately preceding the date of delivery.

3.7.2.5 Study Leave

An Executive may be granted Study Leave, with or without pay, entirely at the bank's discretion, once s/he has been in the bank for at least one year. Study leave is normally granted if the course of study which the employee intends to pursue is likely to benefit the Bank's operations. Study Leave can be given for up to a maximum period of two years.

3.7.2.6 Hajj Leave

A Permanent Executives who intends to perform Hajj at his own expenses, upon completion of one year of service, may be allowed for a 45 days Hajj Leave with pay at the sole discretion of the management. This leave can only be availed once in the entire period of service.

Similar leave may be granted for employees other than Muslims, if the occasion is a once in a life time holy event significant to the believers.

3.7.2.7 Special Leave

Extraordinary leave may be decided to the enduring or Contract employees with or without pay and allowances at the sole discretion of the management. Application for special leave should be forwarded to HR/Personnel department, through the relevant departmental head, along with appropriate reasons and recommendations for necessary action. Some examples of such leave request may be for marriage, death in the family, etc.

3.7.2.8 Leave Encashment

Executives before leaving the Bank due to resignation, retirement or termination are allowed to cash the Earned and Compensatory Leave due to them up to a maximum of 30 days, while for workers it is 20 days plus the prorated entitlement for the current year. The amount paid on encashment includes only the employee's last drawn basic salary for the period. Allowances are not included in this amount.

3.8 SWOT Analysis

Strength:

- UCBL has perfect policies to maintain and control their employees.
As it has a large number of employees which is very difficult for any organization to control but UCBL is controlling this huge number of workforce with great distinction.
- The 'X' & 'Y' motivational theories are rightly used by the Human Resource Division to control the employees.
- While they work as a team they are supportive to each other's which are very helpful to fulfill their work.
- Well maintained CV database. All the CVs are stored in monthly basis so it is easy to find out the CVs when it is needed.
- Better employee motivation generation through internal recruitment opportunity.
So employees try to put their utmost effort to get a higher position.
- Less dependent on external recruitment agencies. In one word it can be said that they are self-dependent while any recruitment is needed and doing this by their own they are also saving time.
- Well planned training schedule with sufficient time allotment. All the trainings take place as scheduled before. The time prearranged for each training are also based on the type of the training so that every necessary point can be covered.
- Training opportunity provided to employees working in every level. For better Performance of every employee training is provided.
- Effectively Stringed with other departments of UCBL. The communication among each and every department is quite good and all of them have better understanding. As a result they get effective output.
- The Employees of UCBL respect Human Resource Division and the Human Resource Division earned it.

Weakness:

- The overall situation of Human Resource for a company like UCBL is not that much controlled to be used and utilized it perfectly. Compare to the workload there is not sufficient amount of refreshments. Too much work pressure on the employees sometimes makes them depressed towards their work.
- References from superior levels are also entertained as those CVs are always given priority in times of recruitment even if the candidate is unfit or unqualified for the vacant post.
- The salary structure is not high enough according to the workload of the employee. This discourages the employees to work hard and also increases turnover rate.
- Due to lack of sufficient amount of manpower it is difficult to control and maintain the large amount of employees.
- Online recruitment system is not upgraded.

Opportunities:

- UCBL has 6,306 employees to work with. This huge number of workforces helps this bank to get various ideas and plans and increase its productivity.
- The Human Resource Division is always thinking to do something new with their employees that can help to motivate the employees and can able to make the

better resources/assets for the UCBL. Very few Bangladeshi organizations have this kind of opportunity to be used.

Threats:

- UCBL has a huge number of employees. So is difficult to maintain the Human Resource policies with this large number of employees.
- The resignation rate is too high in UCBL then it anticipated.
- Reference control on policy is common situation of Bangladeshi organization.
UCBL is not out of it. Reference control on Human Resource policy can be a bad threat for UCBL

CHAPTER IV

THE ENDING OF THE REPORT

4.1 Recommendation

The Human Resources Management system of UCB is up to mark. But the management authority needs to look some major issues like compensation policies, allowances and transfer policies. UCB needs more man power for handling its huge volume of employee.

Temporary employees at UCB do not have the security and stability that permanent employees have. They should be provided with little health care, pensions or other similar benefits. UCB should also set a production; distribution and sales target and any employee belonging to the particular area reaching a desired target in the first quarter should be selected as a permanent employee

At UCB teamwork is given immense importance as the management realizes the fact that the only way to attain and conform a high standard is by working like a well -knit unit. Thus it is imperative that Tapas should have an effective performance appraisal system, which fosters teamwork.

UCB has devised a very comprehensive performance appraisal program in which each employee is given objectives against which his/her performance will be evaluated. For the setting up of these objectives with its work force, the company utilized Management by Objectives. The way these objectives are set is through mutual agreement, where the employees are told exactly what is required of them, how they will be evaluated against each of their objectives and what will be the reward in case if the objectives are met or exceeded. The mutual setting up of these objectives in a participative manner motivates the employee to achieve these objectives as they have a hand in setting them up as well. UCB should have a time limit, evaluation criteria and clearly defined rewards that will contribute towards motivating the employees to contribute the best towards fulfilling their goals.

4.2 Conclusion

This internship report has been focused on the compensation system, practiced by one private bank of Bangladesh. There are some components that are taken into consideration during pay in our country, but it varies significantly among banks regarding pay. It could have been better, if we might have worked with more different banks. I have tried to focus on the pay differences, possible reasons of using different pay components used by the bank in our country. Finally, I came up with some recommendations, which can be used for the bank so that they can perform better.

4.3 References

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United we achieve





United we achieve



United we achieve



Know UCB

United Commercial Bank (UCB) started its journey in mid 1983 and has since been able to establish itself as one of the largest first generation banks in the country with a vast network of 148 branches countrywide.