

Financial Perspective in Public Policy Implementation: A Case Study of Banking Industry

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Abstract

Contending in a complex environment, contemporary organizations need to pinpoint their own weak and strong points so that they can accomplish their objectives, make progress and survive. One useful instrument for satisfying this need, in modern management, is performance evaluation and the optimum instrument for this kind of evaluation is "Balanced scorecard". As for the method of this research, it is practical and in terms of data collection the method is descriptive- survey, correlation and of field type. Once the questionnaires were collected and the data was prepared, statistical analysis was conducted by using single -sample T- test and correlation test in "SPSS". In this study we have attempted to examine the performance of branches of banking industry in Iran (here in after called BMI branches) by applying "balanced scorecard" method. The findings show that all four perspectives of this model are at a good level with "the business process perspective" at the best and "customer perspective" at the worst level. One way to eliminate this deficiency is holding training courses on the subject of marketing for employees.

Key words: Performance evaluation, Balanced scorecard card, Financial perspective, Customer perspective, Business process perspective, Learning and Growth perspective

INTRODUCTION

A challenge for performance evaluation is absence of suitable indices for evaluation. Balanced scorecard method is the one widely applied by renowned companies throughout the world such as IBM, Microsoft and Siemens. This method monitors moment-to-moment performance of all parts of the organization and compares it with the plans and objectives of the organization, thereby evaluating the success, output, and the progress of the organization towards achieving its strategic goals (Martinson, 2009). In early 1990s, Robert Kaplan and David Norton introduced "Balanced scorecard" as an instrument for measuring performance. In addition to being a method, "Balanced scorecard" is title of the book written by Kaplan and Norton in 1996 which won the prize of "America's

Accounting Council" for its best theoretic participation in 1997. This book is considered as a prominent framework for performance management.

LITERATURE

Being attentive to these assets is of great significance for banks since banks are financial institutions and their making profit is subject to their accurate performance in other parts. For Banking industry in Iran, with its long-standing history, extensive range of customers and employees, and the large amount of its tangible assets, this issue is of particular significance because by attending to these parts it can enhance satisfaction of both internal customers, i.e. employees and external customers, i.e. customers and by pinpointing its strengths and weaknesses it can overtake rivals.

OBJECTIVES

Numerous objectives can be mentioned for this kind of evaluation. Some of the most important of these objectives are as follows:

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- 1- Measuring performance of the branches based on balanced scorecard card.
- 2- Examining and analyzing performance of the branches.
- 3- Assigning priority to each of the four perspectives, i.e. financial customer, business process and learning and growth, for measuring performance of the branches on the basis of balanced scorecard.
- 4- Proposing strategies for improving and promoting performance.

RESEARCH ANALYTICAL MODEL

Research Hypotheses

Primary Hypothesis: On the basis of “balanced scorecard card” performance of banking industry in Iranis at a good level.

Secondary Hypothesis 1: From the financial perspective the performance of banking industry in Iranis at a good level.

Secondary Hypothesis 2: From the customer perspective the performance of banking industry in Iranis at a good level.

Secondary Hypothesis 3: From the business process perspective the performance banking industry in Iranis at a good level.

Secondary Hypothesis 4: From the learning and growth perspective the performance of banking industry in Iranis at a good level.

RESEARCH METHOD

Purpose-wise, this research is practical. In practical research theories, principles and techniques are used to solve real and administrative problems. The population in this research comprises people or units that have, at least, one common attribute. In every research, the researcher inclines to study the variable attribute(s) of the units of the population. The population includes branches of Banking

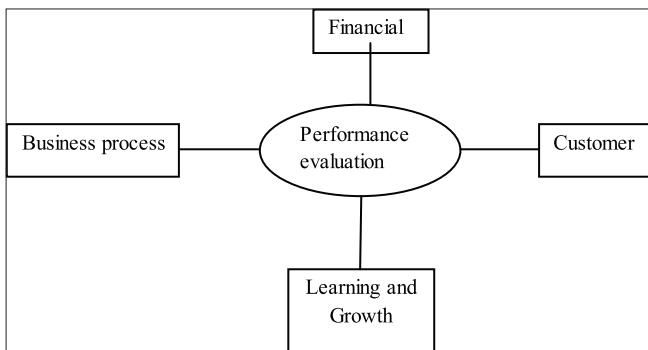


Figure 1: Performance evaluationcard (Kaplan and Norton, 2008)

industry in Iran throughout the country, i.e. 3281 branches (on 31/03/1392).The following formula is applied to determine the sample size:

$$n = \frac{n \times z_{\alpha/2}^2 \times \sigma^2}{(n - 1)\epsilon^2 + z_{\alpha/2}^2 \times \sigma^2} = 1246.74 \cong 1247$$

A population of 1247 branches (from among the branches of BMI) suffices for obtaining verified results. To assess the fluency of the questionnaire, we obtained both expert opinion and opinion of banking system senior managers. It is worth mentioning that the fluency of the questionnaire was verified. Using “Cronbach’s Alpha “ is one way to calculate the reliability:

$$r_a = \frac{j}{j - 1} \left[1 - \frac{\sum s_j^2}{s^2} \right]$$

The results shown in the Table 1 verify the fluency and reliability of the questionnaire.

DATA ANALYSIS

In this study, “Student’s T-test” has been applied for the purpose of testing the research hypothesis. “T-distribution” is a family of distributions which can be used to test the sample hypotheses of the population the result of which are unknown.”T-distribution” is significant because it enables the researcher to estimate the population parameters even with smaller samples.

One of the advantages of this study is the harmonious evaluation of financial parameters in line with intangible parameters of the organization which are studied in the present research.

Secondary Hypothesis 1

From the financial perspective, the performance of Banking industry in Iranis at a good level.

The figure “3” is considered as mean for the results.

It is inferred from the contents of Table 2 that: the mean obtained for the financial perspective is higher than the

Table 1: Cronbach alpha ratio for questionnaires

Questionnaire	Cronbach's alpha
Financial perspective	0.902
Learning and growth perspective and business process perspective	0.887
Customer perspective	0.893

average (T-value=3). Therefore, in our statistical sample, the financial perspective is at good level and the null hypothesis is rejected.

With regard to the above graphs we come to the conclusion that these parameters have improved in 1390 in comparison with the two preceding years, i.e. 1388 and 1389.

Secondary Hypothesis 2

As for the customer perspective, the performance of Banking industry in Iranis at a good level.

$$\begin{cases} H_0: \mu = 3 \\ H_1: \mu \neq 3 \end{cases}$$

It can be inferred from the Table 3 that the obtained mean for the customer perspective is higher than the average (T-value=3). Since in our sample, the costumer perspective is at a good level, the null hypothesis is rejected.

Secondary Hypothesis 3

As for the business process perspective, the performance of Banking industry in Iranis at a good level.

It is inferred from the Table 4 that the obtained mean for the business process perspective is higher than the average (T-value=3). Since in our sample, the business process perspective is at a good level, the null hypothesis is rejected.

Secondary Hypothesis 4

As for the learning and growth perspective, the performance of Banking industry in Iranis at a good level.

It is inferred from the Table 5 that the obtained mean for the learning and growth perspective is higher than the average (T-value=3). Since in our sample, the learning and growth perspective is at a good level, the null hypothesis is rejected.

Table 2: Result of secondary Hypothesis 1

	Explanation	P value	T-Test	Mean
Financial perspective	Performance is good	0.00	39.882	4.006

Table 3: Results of the secondary Hypothesis 2

	Explanation	P value	T-Test	Mean
Customer perspective	Performance is good	0.00	37.540	3.988

Table 4: Results of the secondary Hypothesis 3

	Explanation	P value	T-Test	Mean
Business process perspective	Performance is good	0.00	54.558	4.120

RESEARCH PRIMARY HYPOTHESIS

Performance of BMI branches, based on the “balanced scorecard”, is at a good level.

The following Table 6 represents a comparison of the four perspectives and an overall view of data analysis.

The table shows that performance is satisfactory. As shown, the performance in business process perspective is the best and the performance in customer perspective is the worst. However, generally speaking, the performance is good.

In view of the above, the research hypothesis is verified and the performance of the branches is at a good level.

In case we intend to examine the correlation of the results represented for the four perspectives of “balanced scorecard”, we would have:

Above- mentioned test is carried out with the reliability quotient of 99% and shows that the results are compatible for different perspectives.the results show a meaningful correlation of %99 (Table 7).

FINDINGS AND COMMENTS

To ameliorate the performance of Banking industry in Iranall four perspectives of the “balanced scorecard” can

Table 5: Results of the secondary Hypothesis 4

	Explanation	P value	T-Test	Mean
Learning and growth perspective	Performance is good	0.00	38.112	4.013

Table 6: Results of the primary hypothesis

	Mean	T-Test	P value	Explanation
Financial perspective	4.006	39.882	0.00	Performance is good
Customer perspective	3.988	37.540	0.00	Performance is good
Business process perspective	4.120	54.558	0.00	Performance is good
Learning and growth perspective	4.013	38.112	0.00	Performance is good

Table 7: Determining data correlation quotient

	Customer	Financial	Business process	Learning and growth
Customer	1	0.798	0.729	0.705
Financial	*	1	0.767	0.739
Business	*	*	1	0.809
Learning and growth	*	*	*	1

be applied, that is, some indices of these perspectives are at a good level and some are not; therefore, the indices need to be modified. The findings of the present study are as follows:

In terms of financial perspective the performance of Banking industry in Iran is at a good level because the “t-value” is higher than the index i.e. 4.006 (in case the T-value is lower than the standard level (the standard level is “3”) the perspective is not at a good level). Considering the above, from the financial perspective the performance of these branches is at a good level and the four indices of growth in balance of the four main kinds of deposits, capital adequacy ratio, outstanding claims ratio and growth in the number of new deposit accounts opened are all at a good level.

In terms of customer perspective, performance of branches is at a good level because the “t-value” is 3.988 (it is higher than the standard). This shows that the perspective is at a good level. However, this perspective which has come last among other perspectives, can be improved by applying brochures, fliers, appropriate stationary and the patience and good conduct of employees in providing customers with services. It is worth mentioning that the last index, i.e. the patience and good conduct of employees in giving advice to customers is not at a good level. In terms of business process, performance of Banking industry in Iran is at a good level. Three indices, i.e. cleanliness of branches, comfortable environment and ATMs that work properly can contribute to the improvement of this perspective.

In terms of learning and growth perspective, the performance of Banking industry in Iran is at a good level. It is noteworthy that the indices that can contribute to the improvement of this perspective include: participation in doing affairs of the branch, existence of team work spirit among employees and interest in acquiring and communicating knowledge of modern banking services.

DISCUSSION AND CONCLUSIONS

Thus, results in the following four aspects as follows:

- The financial performance of the Group subsidiaries are desirable. Because of their T-Value is higher than the standard level (006/4) because the value of the T-Value obtained from the standard value (T-Value = 3), indicating that it is less than the population of the good state not so important from a financial perspective, these branches are in good condition and growth indices in four core deposit

ratio, capital adequacy ratio, loan growth. The branches open an account at the four main deposits are in good condition. The customer then the aggregate, have a good performance because the branches of the T-Value achieved (988/3) of its standard value (T-Value = 3) further indicates that it is in good condition after the population. It's better to get the lowest score among the four dimensions of business has helped. Are held in a desired position while the index patient and staff advising customers not in good condition. In the internal processes in general, the branches are desirable because of their T-Value is higher than the standard level (120/4). Therefore, the internal processes of the branches are in good condition and there are three indicators of good welfare issues of cleanliness and hygiene and health branch and ATM optimize the post- effective than other dimensions. In the learning and growth in all branches have a good performance because of their T-Value is higher than the standard (013/4). Ideally indicators to help. However, because of the balanced scorecard customer 's perspective, the same result is that each questionnaire be completed in clients with different cultures. However, the management style of each of the branches can be effective investigation process. However, these limitations can be overcome by creating indexes for each dimension come to achieve this important aim. In the next fiscal, the continuing collection of meetings and committees and also the customers who call for various reasons, have not received their facilities to negotiate and reach a new agreement that led to the bank 's rights. be achieved. One can also increase the brochures that contain new banking services are to familiarize customers with banking services. and ensuring cleanliness of the office and comforts of the waiting time of customers, creating and facilitating processes to provide bank. It also can be used to improve the performance of our subsidiaries also provide other innovative ways that are:

- Assess the marketing practices of banking services, based on the balanced scorecard.
- Readiness Assessment of national banks in terms of implementation and full implementation of the requirements of the balanced scorecard in executive processes.
- Assessment of national banks' readiness to implement an electronic system to manage the relationship with customers.
- The effect of reduced physical branches of banks to provide appropriate banking services.
- Prioritize CE indicators from the perspective of BSC (multi -criteria decision-making approach).

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