FEEDBACK ABOUT PERFORMANCE MEASURES REGARDING CONTRIBUTION IN VALUE CREATION IN INDIAN BANKING SECTOR

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ABSTRACT

In an increasingly dynamic and information-driven environment, the quest by business leaders and management researchers for performance measures which reflect competitive productive strategies, quality improvement and speed of service is at the forefront of managing organization performance. The selection of the most appropriate performance measures is, however, an area with no defining boundaries as there are a number of purposes to which performance measurement can be put, although not all performance measurements can be used for all purposes Various performance measurement systems are used by various organisations depending upon the nature and type of activities based on financial measures as well as non-financial measures. In this paper, an attempt has been made to get feedback about the contribution of intangible assets in value creation for performance measures in the banks.

Keywords: PMS, Value creation, Intangible assets

INTRODUCTION

In an increasingly dynamic and information-driven environment, the quest by business leaders and management researchers for performance measures which reflect competitive productive strategies, quality improvement and speed of service is at the forefront of managing organization performance. The selection of the most appropriate performance measures is, however, an area with no defining boundaries as there are a number of purposes to which performance measurement can be put, although not all performance measurements can be used for all purposes (Tapanya, 2004).

Information about performance measurement and management is critical to the effective functioning of any organisation. However, what constitutes good performance and what constitutes good measures of performance are continuously being debated. For instance, do financial performance indicators provide the necessary information for operating within environments that are classified as global, turbulent and competitive, given that they are backward looking and historical in nature. Is it important to utilize non-financial information for organisations that are facing changes with the changing economic environment? In addition, why there is a need for organisations' to focus on both traditional financial and non-financial indicators of performance in order to meet organisational objectives, irrespective of competitive environment.

Various performance measurement systems are used by various organisations depending upon the nature and type of activities based on financial measures as well as non-financial measures.

In this paper, an attempt has been made to get feedback about the contribution of intangible assets in value creation for performance measures in the banking sector. The role of different stakeholders like customers, employees and management and others in form of feedback helps the banks to identify various measures of contemporary performance measurement system in measuring and managing the performance of the banks.

LITERATURE REVIEW

Measuring organizational performance has been an important area and it has undergone continuous development and modification. Since the inception of the concept, management experts as well as academicians have been trying to develop advanced methods of measuring it. On account of its growing importance, the subject has intrigued many scholars, economic theorists, financial analysts and many others to probe into the various facets of performance measures as well as performance measurement systems. A number of studies have been conducted in India and abroad to study various performance measures for measuring performance of the banking sector.

Kaplan and Norton (1992), in their paper, "The Balanced Scorecard: Measures that Drive Performance" revealed that what you measure is what you get. They realized that no single measure can provide a clear performance target and focused attention on critical areas of the business. **Norreklit (2000),** in his research article titled, "The Balance on the Balanced Scorecard: A Critical Analysis of Some of its Assumptions", first examined the extent to which there is cause and effect relationship among the four areas of measurement suggested (the financial, customer, internal-business processes and learning & growth perspectives). **Anand (2004),** in his paper titled, "Achieving

Breakthrough Performance Using the Balanced Scorecard", revealed that the balanced scorecard will benefit the organization in more than one way. **Gupta et al. (2004),** in their article titled, "Balanced Scorecard – An Emerging International Performance Measure", revealed that measuring organizational performance has been an important area and it has undergone continuous development **Kochhar and Anand (2004),** while participating in the seminar on "Balanced Scorecard in Indian banks", organised by IBA – cedar consulting, Ms Chanda Kochhar, Executive Director, ICICI Bank gave her key-note presentation. Tapanya (2004), in his research study titled, "Examining the factors which influence Performance Measurement and Management in the Thai Banking Industry: An Application of Balanced Scorecard framework", examines various performance measurement systems based on financial and non-financial measures. **Chakraborty (2007),** in his article titled, "Balanced Scorecard – "A Comprehensive Guide to Performance Evaluation" described the Balanced Scorecard as a management system. It is a mirror, which shows how an organization's mission and vision can be decomposed into strategic components that are actionable, specific and measurable. **Johnson (2007)** highlighted various performance measurement systems in his paper. The author said that from the beginning, it is important to understand why measuring an organisation's performance is both necessary and vital.

RESEARCH METHODOLOGY

The study has been conceived to understand the awareness and usages of contemporary performance measures to measure the performance in this competitive environment. To examine the awareness and usages of existing and new performance measures in place in the Indian banking sector, mainly primary data has been used and has been gathered through a structured questionnaire. The questionnaire has been administered in such a manner that covers the entire hierarchy of the banks i.e. top level management of the banks which are responsible for formulating the bank's mission, vision and strategies (i.e. CMD, MD, Board Members, vice president, GM etc.), middle level management which are responsible for communicating bank's strategy down to operating people (i.e. Regional / Zonal/ Circle / Divisional managers, principal of training college etc.) and covering branch level management which are responsible for implementing the bank's strategy to achieve the bank's mission and vision (i.e. Chief Manager / Branch Manager including officer's rank people etc.).

For this purpose, a sample of six banks consisting of top three public sector banks on the basis of size (assets) of each bank i.e. SBI and its associates SBOP, PNB and

Canara bank and top three private sector banks on the basis of size (assets) of each bank i.e. ICICI bank, HDFC bank and AXIS bank has been taken.

For the collection of data, it was planned to give representation to entire state of Punjab covering all the major districts and Chandigarh (UT) being capital and regional, zonal, training and circle offices of all the selected banks. For collection of data, a sample of 200 bankers selecting equal number (100 each) from both public sector and private sector banks has been drawn. The analysis of collected data has been done by using simple frequencies, percentages, averages, Weighted Average Scores (WAS), Mann-Whitney test (U-test), etc.

HYPOTHESIS OF THE STUDY

Ho, 1: There is no significant difference in the perception of public and private sector bankers with regard to feedback taken from different stakeholders about contribution of various intangible assets to the value creation.

FINDINGS

To examine the feedback taken by the banks from different stakeholders regarding contribution of various intangibles to the value creation for the bank, the bankers were asked to indicate their opinion about feedback taken from the customers, employees and management and other stakeholders. Table 1 highlights the response of bankers about the feedback taken from different stakeholders.

Table 1

Opinion of Bankers Regarding Feedback taken from Different Stakeholders (Customers, Employees, Management etc.) about Contribution of Various Intangible Assets to the Value Creation for the Banks

Stakeholders	Always	Often	Sometimes	In the Beginning	Never	WAS
Customers	117 (58.50)	61 (30.50)	20 (10.00)	1 (.50)	1 (.50)	4.46
Employees	85 (42.50)	85 (42.50)	21 (10.50)	4 (2.00)	4 (2.00)	4.21
Management and other stakeholders	70 (35.00)	81 (40.50)	41 (20.50)	1 (.50)	1 (.50)	4.03

Note: The figures given in parentheses denote the percentages.

The table reveals that majority of bankers were of the view that their bank took feedback from customers (89.00%), employees (85.00%), and management and other stakeholders (75.50%). Only a few bankers were of the opinion that banks take feedback sometimes from customers (10.50%), employees (12.50%), and management and other stakeholders (21.00%).

Further Weighted Average Scores have been calculated by assigning weights as 5, 4, 3, 2 and 1 to 'always' 'often' 'sometime', 'in the beginning' and 'never' respectively. Weighted average score for each stakeholder shows that taking feedback from different stakeholders regarding contribution of various intangibles is considered important for the banks. Among these stakeholders, weighted average scores of customers (4.46) followed by employees (4.21) are more important to the banks as compared to management and other stakeholders (4.03).

A bank-wise comparative analysis of public and private sector banks has been undertaken and shown in Table 2. The table reveals that private sector banks considered taking feedback from customers more important as compared to public sector banks. On the other hand, public sector banks gave more importance to employees for taking regular feedback as compared to private sector banks. As far as management and other stakeholders were concerned, both public and private sector banks gave equal importance to the feedback taken from these stakeholders.

Table 2

Weighted Average Scores Corresponding to Feedback taken from Different Stakeholders about Contribution of Various Intangible Assets to the Value Creation for the Banks

(Bank-wise Distribution)

Stakeholders	Public Sector Banks				Private Sector Banks				WAS	p-values
	SBI	PNB	CB	Total	ICICI	AXIS	HDFC	Total		
Customers	4.11	4.46	4.67	4.42	4.51	4.33	4.69	4.52	4.46	0.119
Employees	3.89	4.40	4.40	4.22	4.03	4.17	4.37	4.19	4.21	0.694
Management and Other Stakeholders	3.94	3.86	4.37	4.04	4.17	3.83	4.03	4.02	4.03	0.680

Note: None of the p-values in the above table are significant at 5 per cent level of significance.

Among the selected public sector banks, Canara Bank was leading all other banks as far as feedback taken from different stakeholders is concerned as shown by their weighted average scores customers (4.67), employees (4.40), and management and other stakeholders (4.37). Similarly, among the private sector banks, HDFC Bank was leading all other bank as shown by their weighted average scores customers (4.69), employees (4.37) and management and other stakeholders (4.03).

The estimated p-values using Mann-Whitney U-test indicate that there is no significant difference between public and private sector banks regarding feedback taken from different stakeholders. Both the banks gave equal importance to the feedback taken from customers, employees and management and other stakeholders (p-values > . 05). Thus, the null hypothesis that there is no significant difference in the perception of public and private sector bankers with regard to feedback taken from different stakeholders about the contribution of various intangible assets stands accepted.

The response of bankers regarding various channels for getting feedback from different stakeholders like customers, employees, management, shareholders, government etc. has been highlighted in Table 3. Different channels used for getting feedback include formal channels, informal channels, and both formal and informal channels. The table shows the frequency distribution of bankers' response regarding various channels used by different banks to get feedback from different stakeholders.

Table 3

Bankers' Opinion Regarding Various Channels for Getting Feedback from Customers, Employees and Management and other Stakeholders

N=200

Channels	Public Sector Banks	Private Sector Banks	Total
Formal Channel	20 (20.00)	3 (3.00)	23 (23.00)
Informal Channel	76 (76.00)	20 (20.00)	96 (96.00)
Both Formal and Informal	4 (4.00)	77 (77.00)	81 (81.00)
Total	100 (100.00)	100 (100.00)	200 (200.00)

Note: The figures given in parentheses show the percentages.

The table explains that in the case of public sector banks, 76.00 per cent bankers said that their banks used informal channels for getting feedback, while 20.00 per cent bankers said that their banks used formal channels for getting feedback. Only a limited number of bankers said that their bank used both formal and informal channels for getting feedback. However, in the case of private sector banks, 77.00 per cent bankers said that their banks used both formal and informal channels for getting feedback from different stakeholders like customers, employees, and management and other stakeholders, while 20.00 per cent bankers said that banks used informal channels to get feedback from various stakeholders. Only a limited number of bankers said that their banks used only formal channels for getting feedback from customers, employees, management, shareholders, and other stakeholders.

CONCLUSION

The survey result concludes that both the financial and non-financial measures were considered important by public sector and private sector banks for measuring and managing their performance, but there is a need to strike a balance between financial and non- financial measures. Regarding the feedback taken from different stakeholders (such as customers, employees, management and other stakeholders) about these intangible assets, a vast majority of bankers were of the opinion that these banks regularly take feedback from them. As regards customers, private sector banks emphasized more on taking feedback from customers as compared to public sector banks. Regarding employees and other stakeholders, no significant variations were observed. Moreover, regarding various channels of getting the feedback about contribution of various intangible assets to the value creation for the banks, public sector banks relied more on informal channels whereas private sector banks used both the formal and informal channels for getting such feedback.

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