

Multidimensional Performance Evaluations of Islami Bank Bangladesh PLC Using the Balanced Scorecard Model

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Abstract

This paper aims to assess and compare the performance of Islami Bank Bangladesh PLC bank based on Balanced Scorecard Model. This research used secondary sources of data which includes IBBPLC's Annual reports from the year 2018 to 2022, Financial Stability report of Bangladesh Bank, journals and various websites etc. Data were analyzed through tables, graphs and charts. The findings of the study reveal that Islami Bank Bangladesh PLC's financial performance, under the financial perspective of the BSC model, is mixed. Indicators show a decline in performance during 2019 and 2020 compared to 2018, because of the impact of COVID-19. However, the bank's performance improves in 2021, although its liquidity reserve in 2020 was lower than in all previous years, which is concerning. Comparing the banking industry as a whole, Islami Bank Bangladesh PLC performs better from 2018 to 2021. However, in 2022, the bank's performance declined in terms of profit maximization and liquidity reserve. From the customer perspective, the bank's deposit growth significantly decreased in 2022 compared to previous years and the industry average. Under the learning and growth and internal business process dimensions of the BSC model, indicators show that Islami Bank Bangladesh PLC's performance has been improving year by year, outperforming the banking industry. Findings suggest that balanced scorecard is a more realistic and comprehensive approach to measure banks performance compare to only traditional financial performance as it helps to find out specific area of improvement which ultimately leads to achieve banks strategic goals and gain key competitive advantages. So, banks should use this model more for their self-improvement as well the analysts and other stakeholders will be more benefited for taking their respective decisions like investment and credit by analyzing the banks based on this model.

Keywords: Balanced Scorecard, Performance Measurement, Islamic Banks, Bangladesh.

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1. Introduction:

The impact of the COVID-19 pandemic traces all sectors of the economy worldwide, and the financial sector of Bangladesh is not an exception. Maintenance of resilience and stability becomes the top priority for the country's central bank after this great pandemic (Bangladesh Bank, 2021). Karim et al. (2023) conducted a study to measure the effect of the COVID-19 epidemic on the liquidity and profitability of commercial banks in Bangladesh and they found a significant negative outcome on the liquidity of banks due to COVID-19 pandemic. In addition to that, evidence also found that COVID-19 pandemic also has significant impact on non-performing loan of scheduled commercial bank in Bangladesh that may lead to bad credit cases (Ahmed, N., and abedin, 2021). On the other hand, Bangladesh's financial sector is progressing fast in digitization which ensures dynamic and efficient service quality that meets customers' expectations (Hasan, M., 2023). Along with this movement toward digitalization it also faces multi challenges like different cyber security crimes, competitive global banking environments, changes in customer preferences and loyalty, rapid changes in technological advancement, changes in stakeholder's expectations, comply with stringent regulatory environment etc. Again, Habib (2024) reported that in South Asia, the profitability of the banking sector in Bangladesh is the lowest because of the prevalence of higher non-performing loans, lower efficiency, and an elevated level of costs of funds. He also reported that "*The profitability was low in 2020 and 2021 mainly because of the business slowdown brought on by the Covid-19 pandemic. However, it was even lower in 2018 due to the lower profits of Islamic banks and the overall liquidity crunch in the banking sector.*" Toufic Ahmad Choudhury, a former director-general of the Bangladesh Institute of Bank Management (BIBM) said that "*After the structural change in shariah-based banks or the change in ownership, investment decisions were not proper, so their asset quality fell*", and the shariah-compliant banks are facing a trust deficit, as well as higher NPL, greater cost of operation that leads to lower profitability as reported by Habib, A., 2024. These challenges compel banks to assess their performance using comprehensive measurement techniques that encompass both financial and non-financial metrics, leading and lagging indicators, as well as short and long-term objectives. Such techniques assist management in predicting future financial performance by identifying potential operational changes needed to stay aligned with the intended strategy. In this regard, the Balanced Scorecard is a strategic performance management and assessment tool that has garnered significant attention for enhancing the banking industry's planning, control, and performance evaluation processes.

This empirical research used Islami Bank Bangladesh PLC as a sample bank for the study. The reasons behind choosing this bank are considering its current condition. At the year 2023, the bank honors a noteworthy 40-year journey since its establishment in 1983 as the first Shariah-based bank in Bangladesh, providing Islamic banking services. Over this period, the bank has experienced outstanding performance in terms of every indicator of banking by playing a metamorphic role in reforming the country's economic landscape. The bank achieved highest operating profit at the year 2022 compare to other banks in Bangladesh (Prince, 2022). Even in 2023, the bank adds some outstanding achievements in its basket like Commonwealth Business Excellence Award 2023 as the Strongest Bank in Bangladesh (IBBLPLC, 2023) GIFA Award 2023 in the category of 'Most Outstanding Islamic Bank 2023' conferred by UK based Global Islamic Finance Awards (GIFA) (IBBLPLC, 2023), ranked in the Top 1000 World Banks by Tier 1 2023 ranking, based on a Tier 1 capital of US\$ at 31-Dec-2022 although it showed a decline from previous ranking. But at the same

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time, it is a matter of sorrow that this giant bank in Bangladesh has undergoing some crucial problem like lending irregularities, directorship withdrawal, selling of shares by local and foreign investor, a major changing in directorship, liquidity crisis as well as loan disbursement restrictions (Mavis, 2023). As a result, the banks become a major concern for its investors and depositors about the safety of their funds. Along with this economist and bankers are expecting a major crisis in financial sector may happen in Bangladesh economy if this long committed bank can't manage its problems smoothly. Mainly, this paper aims to measure the performance of Islami Bank Bangladesh PLC bank based on Balanced Scorecard Model from the year 2018 to 2022, which covers the period of both before COVID 19 pandemic also the after. In this paper the performance is measured accordance to the strategic objectives of IBBPLC set by the bank itself.

2. Review of related litterateurs and studies:

Nowadays days Bank use Balanced Scorecards extensively worldwide in measuring their operating performance to achieve their strategic goals. BSC has become the subject of numerous national and international studies, articles, and research papers. This section of the study aims to highlight research gaps in the field of balanced scorecards by providing a quick evaluation of studies, papers, articles, etc. produced by various writers during the last few years.

2.1 Balanced Scorecard:

Robert S. Kaplan and David P. Norton first presented the idea of a "balanced scorecard" in the Harvard Business Review (January–February, 1992). The balanced scorecard, a set of strategic management performance metrics, assists the top managers in getting a quick and thorough understanding of the firm. The financial metrics on the balanced scorecard indicate the outcomes of previous activities of the business. Additionally, the balanced scorecard supplements the economic indicators with other non-financial more specifically operational indicators like customer satisfaction, internal business process, and the organization's learning and growth activities that are predictive of future financial performance (Kaplan S. Robert & Norton P. David, 1992). The fundamental tenet of BSC is that internal business processes improve as a result of learning and better customer happiness results from improved company processes further higher customer satisfaction boosts financial results (Garrison and Noreen, 2000).

2.2 Performance Evaluation of Banks using Balanced Scorecard:

As a Balanced Scorecard focuses on creating connections between strategic objectives and performance measures, it can be an effective tool for performance evaluation in addition to traditional budgeting in an organization under the umbrella of management accounting (Otley, 1999). Zaman (2004) said that there is a tremendous growth of interest in BSC since its introduction among different stakeholders, including managers, who strongly believe BSC is a useful, strategic performance monitoring tool that will drive its application in measuring business performance more on the basis of his research that investigated the present utilization of the BSC in Australian corporations. Das, 2019 also concludes that BSC surpasses a basic performance evaluation system to become a genuine

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strategic management tool that can elucidate and explain the corporate strategy and mission, enabling the communication process, strategic alignment, and organizational culture.

The performance management process in banks has also gained momentum due to this new movement. Wu et al (2009) suggested that the Fuzzy Multiple Criteria Decision Making (FMCDM) assessment model, which uses the BSC framework to evaluate banking performance, can be a practical and efficient instrument for assessment. Performance management, according to Zhang & Li (2009) is a crucial component of banking company management. They suggested using the BSC as a technique in their study to raise the performance of China's commercial banks. Together with the BSC's drawbacks, the authors suggested a method and an application plan. Tariq (2014), concluded banks would benefit from using Balance Score Card models based on the respondents thought. The Bank's performance is significantly improved by the financial, internal control, learning and growth, and customer perspectives in particular. Mohammed (2015) concluded that the primary methods used by Nigerian banks to evaluate their performance were financial performance measurements, which were then closely followed by customer performance measures. According to the report, Nigerian banks could improve their methods for measuring performance by distributing their metrics throughout the four BSC viewpoints.

Vola et al. (2009) used the (Kaplan & Norton, 1996) Balanced Scorecard model to study the installation of a management control system in cooperative banks in Italy. The researchers suggested a number of important KPIs using a case study methodology, such as intermediation margin, average risk of invested capital, total volumes managed per employee, number of customers per staff, and operating expenses. Chiang & Lin (2009) on their research used some key indicators for commercial banks under the four dimensions of BSC for integrating the BSC and data envelopment analysis (DEA) for firm's benchmarking management. They used total revenue, operating income, accounts receivable and cash flow under financial perspective, relative market share and growth of market share under customer perspective, total assets turnover and property plant and equipment turnover under internal business perspective and under learning and growth they used administrative expenses per employee and salary and wages per employee. Fakhri et al. (2010) made an effort to investigate the value of multi-perspective performance measurements in the Libyan banking industry. The study, which was based on a survey of 55 banks in Libya, found that while many banks prioritize financial measures as a first step in assessing performance, many also tend to use customer-related measures and other non-financial measures like employee development and learning.

Al-Mawali et al. (2010) looked at the Jordanian banking industry's branches' financial performance and use of the Balanced Scorecard. Out of 480 branches, the authors selected 120 branches as a sample, and the responses were the branch managers. Their study's findings demonstrated that, in contrast to nonfinancial measures, many Jordanian branches continue to place a strong emphasis on the application of financial measures. They found that branch profit, product profitability, return on net assets, customer satisfaction, customer acquisition & retention, staff turnover, employee satisfaction, etc. are the KPIs that are most commonly employed. Ahmed et al. (2011) surveyed a sample of 27 banks in Pakistan to determine the metrics the sample banks use to assess their performance in light

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of the four BSC viewpoints. According to the authors, all the banks assessed utilized metrics that align with the BSC approach to assess their performance; however, the metrics' relative importance differed among the sample under investigation. Al-Najjar & Kalaf (2012) conducted a study in Iraq on the development and application of BSC in assessing the performance of Large Local Banks (LLB). Through the use of a case study methodology, they discovered that the key performance indicators (KPIs) that are important to the LLB in Iraq are ROI, ROE, profit margin, productivity growth, credit growth, customer satisfaction, customer growth, employee productivity, employee turnover rate, etc. Abofaied (2017) in his study on evaluation of bank's performance by using balanced score card: practical study in Libyan environment used some KPI for implementing BSC like: financial perspective- liquidity ratio, return on investment, return on equity, profit margin, and leverage ratio; internal processes perspective- productivity growth, growth of banking services, credit growth, growth in software applications, and front office employees; customer perspective- customer satisfaction, customers' growth, growth of current accounts, growth of saving accounts, and growth of safety deposits and for learning and growth: employee productivity, employee turnover rate, growth of the bank's branches, employee participation in development programs, and the number of employees using IT in their work. Every bank must conduct performance evaluations from every angle of the Balanced Scorecard in order to pinpoint and enhance the primary areas that demand improvement. It is recommended that additional research can be done on BSC-based comparative studies with other Indian banks (Gupta et al., 2018). Sarigül & Coşkun (2021) conducted a study about the implementation of the BCS system in a multinational bank in Turkey. The study provides a detailed, step-by-step breakdown of the BSC implementation process, covering the creation of a strategic plan and the integration of BSC with that plan. It includes setting up a business unit dedicated to managing the BSC process, collaboratively developing scorecards and KPIs, defining the essential details for each KPI, establishing target values, and implementing an IT-supported BSC system. This system facilitates the collection of KPI performance data and provides online performance reports to relevant organization members. The BSC performance management system has evidently helped the organization achieve its strategic objectives, giving the bank a long-term competitive edge in banking sector.

2.3 Performance Evaluation of Banks in Bangladesh using Balanced Scorecard:

Numerous studies on the use of BSC for performance evaluation in Bangladeshi corporations have been carried out so far. Furthermore, there is a dearth of research on the banking sector. Here is a synopsis of those articles.

Khan et al. (2010) in their study "Empirical study of the underlying theoretical hypotheses in the Balanced Scorecard (BSC) model: Further evidence from Bangladesh," looked at how the implementation of the Balanced Scorecard affected the company's financial performance. The BSC viewpoints have a statistically significant positive correlation with one another, the researchers discovered. Additionally, they discovered that businesses with higher ROE and ROA also place a strong emphasis on learning and growth. According to the study, Bangladeshi businesses can

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enhance their financial performance by implementing the BSC model within their establishment. Again, Khan et al. (2011) in their research paper, "The use of multiple performance measures and the balanced scorecard (BSC) in Bangladeshi firms: An empirical investigation," looked at the reasons behind the adoption of the BSC, the issues related to it, and the use of financial and non-financial measures in Bangladeshi companies. The chief financial and accounting officers of 60 Bangladeshi companies that are listed on the Dhaka Stock Exchange provided information via questionnaires. The findings show that while financial metrics are more frequently utilized, 78.4% of businesses also employ non-financial indicators. Moreover, only 10% of the sample may participate in a complete BSC exercise.

Purohit and Mazumder (2006) in their study, stated that while traditional measures, such as the CAMEL rating technique, only cover financial ratios (quantitative factors), the BSC technique covers both quantitative (financial ratios) and qualitative (customer, internal business, and innovation and learning aspects) factors in measuring a bank's performance. Therefore, the researchers proposed that, the concept of CAMEL rating for performance evaluation of a bank may be expanded by adding the Balanced Scorecard as the long-term perspective of performance evaluation. Again, Mamun et al. (2010) based on their research titled "Application of Balanced Scorecard in Banks: Bangladesh Perspective" the Balanced Scorecard as a performance measurement and management tool for the long-term benefit of Bangladesh's banking industry. The report also discussed the potential advantages and difficulties of putting such a cutting-edge management system into the banking industry. Babar and Akter (2016) aimed to create a comprehensive set of performance measurement variables, or Key Performance Indicators (KPIs), from a Balanced Scorecard (BSC) perspective to serve as a benchmark or foundation for performance measurement and management systems in Bangladesh's banking sector. It has been found that managing the bank's performance requires more than just typical financial metrics. This study found a strong correlation between banks' performance and their learning and growth viewpoint. Thus, in order to protect their own interests, Bangladesh's banking industry should give special consideration to developing a balanced scorecard. Again, Chowdhury & Shaha (2016) investigated the viability of BSC for evaluating company performance in the banking sector of Bangladesh. They built BSC as a based on earlier research conducted in other countries and assessed the models' results at a top private commercial bank also they compared the result with industry averages to demonstrate how BSC could improvement performance evaluation in order to meet long-term objectives. The study highlighted that the implementation of BSC becomes difficult for inadequate data and recommended that bank policy makers start implementing it. Nisha (2017) conducted a study to investigate the BSC model and its potential application for performance evaluation, with a particular focus on Bangladesh's banking industry. She discovered a sequential and statistically significant positive correlation between the BSC viewpoints for the selected banks. The study concluded that banks that have seen increases in some financial metrics, such as return on assets (ROA) and return on equity (ROE), have also clearly boosted their efforts in areas related to internal business processes, customer perspectives, and learning and growth.

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From the above overview we can say that very few studies have been conducted on BSC which is applied on commercial banks of Bangladesh (Khan, et al., 2011; Chowdhury, L. A. M., & Shaha, S., 2016; Babar & Akter, 2016; Nisha, N., 2017) for performance evaluations but we do not found any research contemplated on Islamic commercial banks. So, this study focuses on Islami Bank PLC and for comparative performance analysis it uses industry averages as standard.

3. Methodology of the study:

This study covers the data of IBBPLC annual report from the year 2018 to 2022. For comparing the performance of IBBPLC using BSC model with industry average of private commercial banks also the industry average of Islamic banks the financial stability report from the year 2018 to 2022 published by Bangladesh Banks has been used. So, this research used secondary sources of data which include IBBPLC's Annual reports, Financial Stability Report of Bangladesh Bank various websites, journals etc. For assessing the performance of IBBPLC various indicators of BSC model as suggested by past researchers (Khan, et al., 2011; Chowdhury, L. A. M., & Shaha, S., 2016; Babar & Akter, 2016; Nisha, N., 2017; Gupta et al., 2018) that are discussed in the literature section as well are calculated using MS-Excel and then data are presented in the report through Tables, Graphs & Charts. While assessing the banks performance the researchers prioritize on the banks strategic goals based on the mission, vision of the banks from annual report and the paper also presented the findings taking the banks strategic objective as a standard that the banks want to achieve for better performance during the selected years.

Balance Scorecard is an instrument which measures performance from four different perspectives: Financial, Customer, Internal Processes and Learning & Growth. Each perspective has some key performance indicators (KPIs) which are used for measuring performance in the banking sectors. In this study, financial perspective is categorized into two strategic objectives- sustainable growth and maximization of profit. The key performance indicators that are used in this perspective are- Cash Deposit Ratio, Credit Deposit Ratio, Capital Adequacy Ratio, Cash Reserve Ratio, Statutory Liquidity Ratio, Liquidity Coverage Ratio, Return on Assets (ROA), Return on Equity (ROE), Growth Rate of Net Profits, Total Interest Income to Total Assets (Average) Ratio, Net Interest Income to Total Assets Ratio and Net Interest Margin. Customer perspective is categorized under two strategic objectives- business growth and customer growth. The key performance indicators that are used to measure the performance under this perspective are- Credit Growth, Deposits Growth, and Deposits to Total Liabilities Ratio, Saving Deposit Growth, Current Deposit Growth, and FDR Growth. Again, internal process perspective is categorized under two strategic objectives- reducing cost of business operations and increasing geographical reach for customers. The KPIs that are used under this perspective are- Ratio of Wage Bills to Total Cost, Ratio of Wage Bills to Total Income, Ratio of Non-performing loan to total loan, No of ATM's, No of Branches. Based on the study, learning & growth perspective is categorized into two strategic objectives- employee growth and training & development. The KPIs are- Business per Employee, Profit before tax Per Employee, Deposit per Employee, Total Employee, Total Number of Training, and Average Training per Employee.

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4. Findings, Analysis & Discussion:

A. Performance Evaluation under Financial Perspective:

Financial indicators are used as the most useful and extensively utilized performance measurement techniques that can be assessed by strong growth of revenue, investment strategy and appropriate utilization of assets which are necessary for any organization.

BSC Perspectives	Strategic Objectives	Indicators	Industry Average					Isalmi Bank PLC's Average				
			2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Financial Perspectives	Sustainable Growth in Key Financial Indicators	Cash Deposit Ratio (%)	16.5	14.8	14.7	12.6	12.4	8.20	8.02	18.13	17.81	8.76
		Investment (Credit) Deposit Ratio	77.6	77.3	72.7	73.2	79.0	90.80	89.39	80.42	79.74	91.64
		Capital Adequacy Ratio	10.5	11.6	11.6	11.08	11.83	11.97	12.95	13.55	13.54	12.54
		Cash Reserve Ratio (CRR)	2.4	2.5	1.63	1.70	1.59	6.19	6.17	17.05	16.48	5.77
		Statutory liquidity Reserve (SLR)	21.1	18.8	21.60	22.10	16.63	7.01	6.88	19.86	19.84	6.62
		Liquidity coverage Ratio (LCR)	173.3	200.5	224.8	193.6	153.97	169.05	327.62	253.79	311.57	82.90
	Maximization of Profit	Return on Assets (ROA)	0.3	0.5	0.3	0.3	0.62	0.64	0.50	0.35	0.30	0.34
		Return on Equity (ROE)	4.4	7.4	4.3	4.4	10.7	11.07	9.39	7.38	7.19	8.93
		Growth Rate of Net Profits (%)	3.0	2.10	1.40	1.30	1.40	29.45	-12.29	-15.15	2.61	27.68

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	Interest Income to Total Assets (Average) Ratio	5.9	6.1	4.9	4.3	4.39	6.35	6.73	6.64	5.24	4.49
	Net Interest Income to Total Assets Ratio	1.9	1.9	1.2	1.1	1.24	2.92	2.70	2.0	1.74	1.84
	Net Interest Margin	2.2	2.1	1.1	1.3	1.4	3.3	3.1	2.6	2.2	2.1

Table 1: IBBPLC's Performance Evaluation under Financial Perspective

Source: Compiled from Annual Report of IBBPLC, Financial Stability Report and Other Sources from 2018-2022

**Graphical Presentation:
Sustainable Growth:**

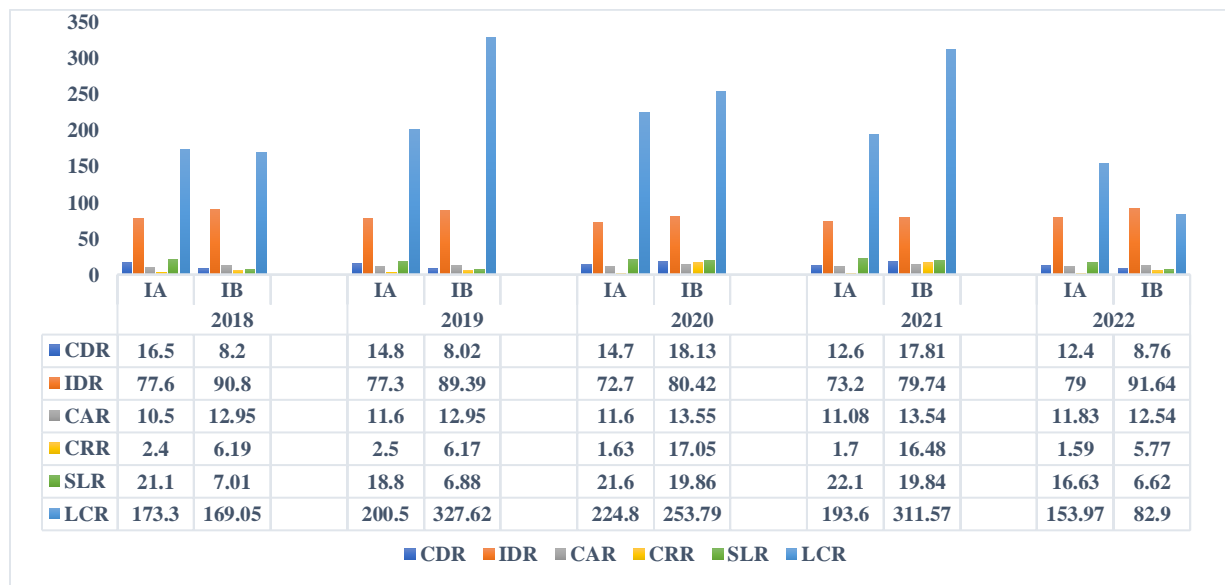


Chart 1: FP of IBBPLC: Sustainable Growth

Generally, Cash Deposit Ratio (CDR) indicates the total money of a bank that should be available as a percentage of the total money that its customers have paid to the bank. IBBPLC's CDR has a fluctuating trend from 2018 to 2022. High value CDR indicates the idle money of a banks. That is why;

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in the study, it has shown an increasing trend in 2020 & 2021 because of COVID-19 situation as depositors demanded more money to withdraw. A high Credit Deposit Ratio signifies greater dependency on deposits for lending activities, while an excessively low ratio suggests that banks are underutilizing their resources. This ratio serves as an initial indicator of a bank's financial health. For Bangladeshi banks, a Credit Deposit Ratio exceeding 70% signals resource strain, as they must allocate funds to maintain a cash reserve ratio of 6.5% and a statutory liquidity ratio of 19%. In the study, IBBPLC has significantly high level of credit deposit ratio which has the lowest ratio of 79.74% in 2021 and the highest ratio of 91.64% in 2022. The ratios have a declining trend from 2018 to 2021 and it has increased in 2022. A bank possessing a high Capital Adequacy Ratio (CAR) is deemed to be secured and capable of fulfilling its financial obligations. According to Basel II standards, the Bangladesh Bank mandates a minimum CAR of 10% of risk-weighted assets. According to analysis, the bank shows an increasing trend of CAR over the year from 2018 and all ratios are above the minimum requirement. As stated by analysis, Cash Reserve ratio and Statutory Reserve ratio of IBBPLC have a fluctuating trend over the years from 2018 to 2022. It declines in 2019 while increases in 2020 and 2021 and again declines in 2022. Liquidity Coverage Ratio (LCR) refers the proportion of highly liquid assets held by a bank to ensure that it maintains a continuous ability to meet up its short-term obligations. If LCR ratio is higher than 100%, it is considered as a good financial condition for a bank. In case of IBBPLC, it satisfies the minimum requirement from 2018 to 2021 but in 2022, the LCR has declined to 82.90% which is below to the minimum requirement.

In case of Industry Average, based on Financial Stability Report of Bangladesh Bank, Cash-deposit ratio and Cash-reserve ratio (CRR) have a decreasing trend in years 2018 to 2022 while IBBPLC has a fluctuating trend over the years. In case of Capital Adequacy Ratio and Liquidity Coverage Ratio (LCR), industry average are increasing but compared to industry average, IBBPLC has fluctuating ratios in years. As per BB Financial Stability Report, Credit Deposit Ratio and Statutory Liquidity Reserve have fluctuating Ratios from 2018 to 2022 while IBBPLC also shows fluctuating trend based on analysis.

Maximization of Profit:

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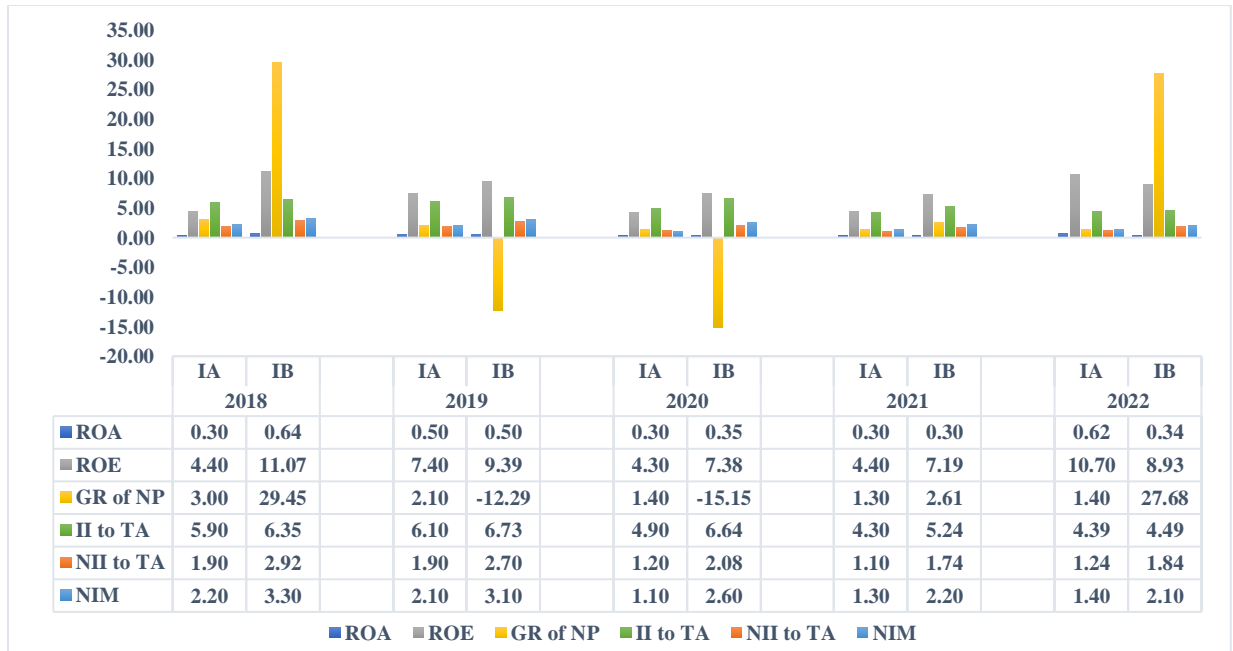


Chart 2: FP of IBBPLC: Maximization of Profit

Return on Assets (ROA) provides insight into how effectively management utilizes its assets to yield its profit. Return on Equity (ROE) assesses a corporation's profitability by indicating the amount of profit generated from shareholders' investments. IBBPLC's ROA and ROE have dropped over the years from 2018 to 2022 which indicates that bank's management is unable to generate profit by using the equity efficiently. In this study, IBBPLC's growth rate of net profit shows a fluctuating trend over the years. In 2019 & 2020, it has negative growth rate of net profit which is the impact of COVID-19 situation. For the same reason, the ratios of interest income to total assets and net interest income to total assets show a fluctuating trend from the year 2018 to 2022. Net Interest margin ratio measures performance based on the investment decisions that are taken by the company compared to its debt situations. For IBBPLC, it shows a declining trend over the years that means the company is not as much as successful in taking its investment decisions over its debt situations.

In case of ROA, ROI and Net Interest Margin of Industry Average, the ratios show fluctuating trend so as the IBBPLC's ratios. But major difference is found in Growth Rate of Net profit as industry average shows positive percentages while IBBPLC has negative percentages in year 2019-20 due to COVID-19 situation.

B. Performance Evaluation under Customer Perspective:

The customer perspective reveals how a bank may set itself apart from its rivals by attracting, keeping, and cultivating positive relationships with the clients who are targeted. Dissatisfied customers will quickly change the banks which will decline the deposits growth and the credit growth as well. This will also decrease the interest income generation.

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Table 2: IBBPLC's Performance Evaluation under Customer Perspective

BSC Perspective	Strategic Objectives	Indicators	Industry Average					Isalmi Bank PLC's Average				
			2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Customer Perspective	Business Growth	Credit Growth (%)	14.1	11.9	8.4	12.7	13.5	13.37	11.5	15.1	15.0	22.68
		Deposits Growth (%)	10.5	11.3	13.4	10.1	5.21	20.73	15.0	24.6	17.1	2.06
		Deposits to Liabilities Ratio (%)	82	81.6	81.5	80.6	79.1	87	87	87	88	80
	Customer Growth	Saving Deposit Growth (%)	11.95	9.81	18.99	17.51	10.16	7.11	12.70	25.42	21.33	-6.49
		Current Deposit Growth (%)	9.61	9.35	24.03	8.94	7.04	0.35	5.85	24.06	21.14	21.70
		FDR Growth (%)	9.71	12.34	6.70	8.18	-0.09	17.03	22.73	28.58	13.26	4.91

Source: Compiled from Annual Report of IBBPLC, Financial Stability Report and Other Sources from 2018-2022

Graphical Presentation:

Business Growth:

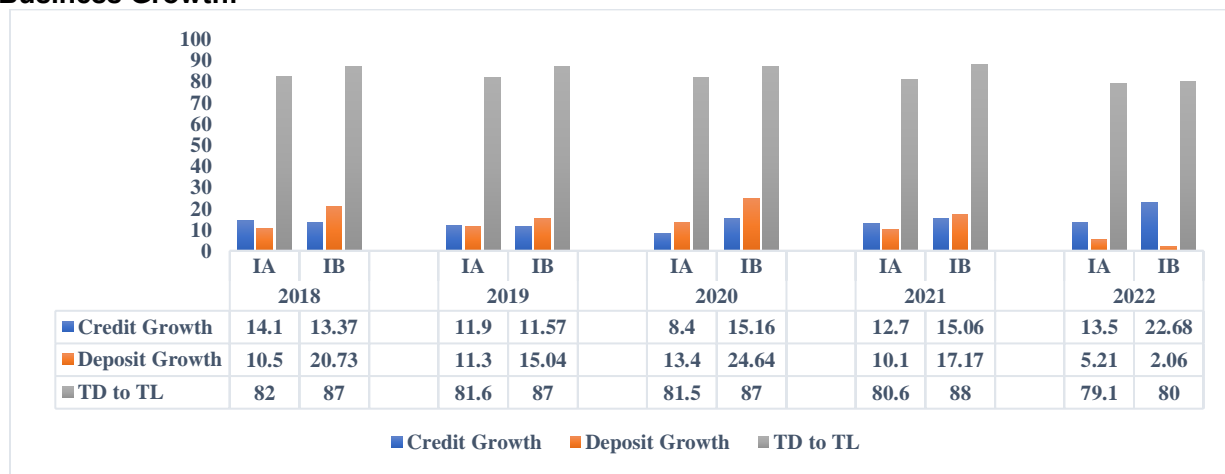


Chart 3: CP of IBBPLC: Business Growth

Credit growth rate is an indicator for a bank to measure whether the bank's overall loan portfolio is expanding. If a bank's loan growth exceeds average, it indicates that it has either selected lucrative markets, has a low-cost capital base, or offers lower loan fees than its rivals. On the other hand, a bank may be undervaluing its assets, lowering its credit requirements, or offering incentives to new

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borrowers to transfer their loans if loan growth exceeds average. The study has shown, IBBPLC has almost increasing growth rate from the year 2018 to 2022 except 2019 which is satisfactory for the bank. Deposit growth helps to evaluate how a bank's activities are success and effective and offers special services to its customers. Growth in total deposit data of IBBPLC has shown an unexpected fluctuating trend from 20.73% in 2018 to 17.17% in 2021, but it drastically declined in 2022 at 2.06%. As bank deposits are now a less appealing investment option due to low interest rates, IBBPLC has had difficulty growing its deposits. Liquidity of a bank can be evaluated by comparing its deposits to its total liabilities. Lack of liquidity to meet unforeseen financial needs will be indicated by a low ratio. The study shows, IBBPLC has experienced a stable situation regarding ratio of deposits to total liabilities except the year 2022.

In case of Industry Average, the study shows a fluctuating trend for credit growth and deposit growth but deposit to liability growth shows a decreasing trend in overall industry while company analysis shows a steady growth.

Customer Growth:



Chart 4: CP of IBBPLC: Customer Growth

In case of, saving deposit, current deposit and FDR growth percentage under customer growth, IBBPLC has the highest percentage at 2020 but it declines in 2022. In 2022, savings deposit shows negative percentage which mean that the bank has less deposit collection under savings accounts compared to last two years.

From the study, compared to industry average, it is found that the trend of growth percentages of IBBPLC were almost same as the industry average. Therefore, the intra-company comparison suggests that the bank still has scope to enhance its performance from the standpoint of the consumer.

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C. Performance Evaluation under Internal Process Perspective:

An organization's internal process efficiency can impact how well it serves its clients. When a bank has efficient internal procedures, it can quickly respond to consumer inquiries and requirements by developing new products fast and getting them to market.

Table 3: IBBPLC's Performance Evaluation under Internal Process Perspective

BSC Perspective	Strategic Objectives	Indicators	Isalmi Bank PLC's Average				
			2018	2019	2020	2021	2022
Internal Process Perspective	Reducing Cost of Business Operations	Ratio of Wage Bills to Total Cost	26.3	21.4	23.8	24.1	23.7
		Ratio of Wage Bills to Total Income (%)	19.5	16.1	19.6	19.6	19.0
		Ratio of Non-performing loan to total loan	4.12	3.82	3.41	3.31	3.70
	Increasing Geographical Reach for Customers	No of ATM's (No's)	629	661	1,752	2,318	2,856
		No of Branches	342	357	373	384	394

Source: Compiled from Annual Report of IBBPLC, Financial Stability Report and Other Sources from 2018-2022

Graphical Presentation:

Reducing Cost of Business Operations:

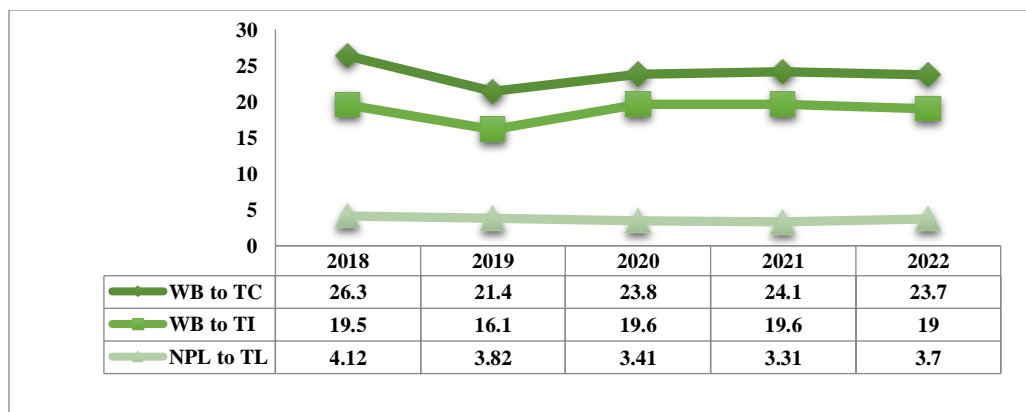


Chart 5: IPP of IBBPLC: Reducing cost of Business Operations

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Ratio of wage bill to total cost indicates how much a bank is incurred for its wage expenses. If the rate is high, it means the bank is contributing more for its employees' wages. On the other hand, lower rates mean the bank has efficient and skilled employees for providing satisfying services to their customers which ensures a smooth running of business. In case of IBBPLC, in 2018 the rate is high which means bank contributed more for its employees compared to other years, because of less efficient and skilled employees. The social obligation of a bank towards their employees in terms of salary, allowances and other benefits out of their total income can be measured by Ratio of wage bill to total income. The higher ratio means the better social responsibility and vice-versa. In case of IBBPLC, the ratios are almost same for the years except in the year 2019 which showed a decreasing trend.

In case of, non-performing loan to total loan, the ratios of IBBPLC shows a decreasing trend from the years 2018-2021, which means the bank was well performed and well managed in terms of its loan disbursement processes but in 2022, the ratio is slightly increased.

Increasing Geographical Reach for Customers:

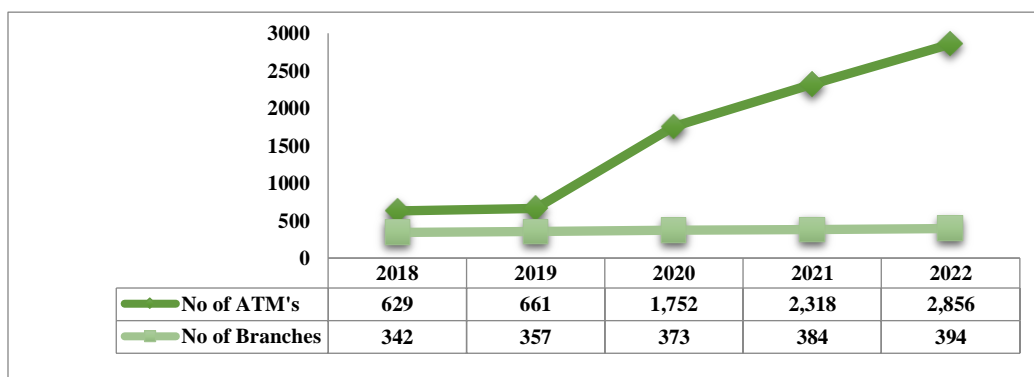


Chart 6: IPP of IBBPLC: Increasing Geographical reach for customers

There has been a continuous increase in number of ATM's and branches of IBBPLC in years of 2018-2022. This leads the customers to reach the bank more and have more connectivity with the bank which means more business growth for the bank.

D. Performance Evaluation under Learning & Growth Perspective:

This perspective emphasizes ongoing expansion, innovative products and services, and an empowered workforce for a company.

BSC Perspective	Strategic Objectives	Indicators	Isalmi Bank PLC's Average				
			2018	2019	2020	2021	2022

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Learning & Growth Perspective	Employee Growth	Business Per Employee (in million)	5.28	5.24	4.54	4.60	5.13
		Profit before tax Per Employee (in million)	1.43	1.34	0.90	0.60	0.70
		Deposit Per Employee	86.14	89.51	99.34	72	67.84
	Training & Development	Total employee	14,698	16,807	18,621	19,193	20,792
		Total number of training	593	524	358	551	538
		Average training per employee	0.95	0.78	0.78	1	2

Table 4: IBBPLC's Performance Evaluation under Learning & Growth Perspective

Source: Compiled from Annual Report of IBBPLC, Financial Stability Report and Other Sources from 2018-2022

**Graphical Presentation:
Employee Growth:**

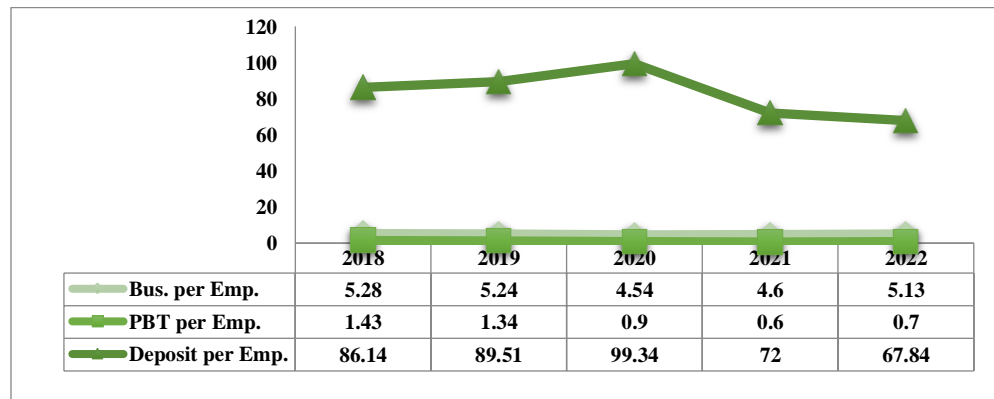


Chart 7: L&G of IBBPLC: Employee Productivity

The most popular efficiency indicator used by banks is business per employee. The higher ratio the better the efficiency of the employee in this regard and vice-versa. In case of IBBPLC, the ratio has shown a downward trend in the year 2018-2020 but it gradually increased in the year 2021 & 2022 which means the employees are more efficient than before. In case of profit before tax per employee, IBBPLC displays a decreasing trend which means that the performance of the employees was gradually decreasing over the years. Deposit per employee for IBBPLC has gradually increased over

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the year from 86.14 in 2018 to 99.34 in 2020. It means that products and services of the bank are selling more than before. But in 2021 & 2022, the ratios decline due to COVID-19 situation.

Training & Development:

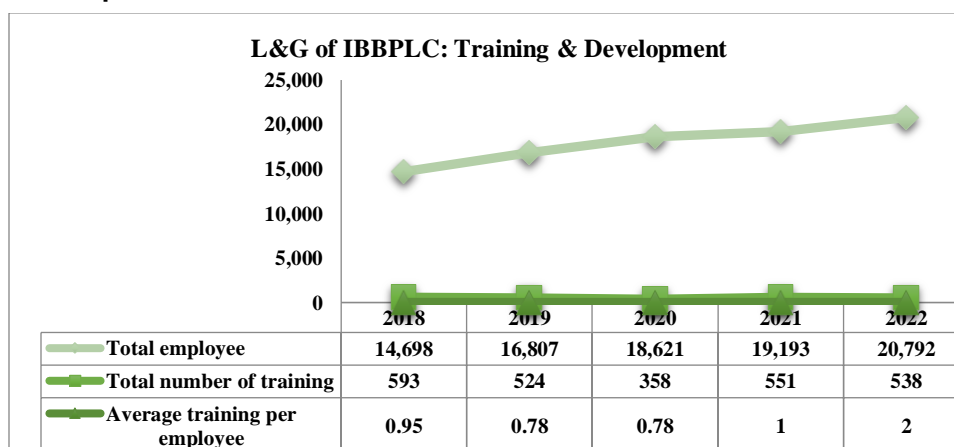


Chart 8: L&G of IBBPLC: Training & Development

According to the study, the total number of employees of the bank has been increased year by year which shows a positive scenario for the bank. But in case of training and others, the numbers have shown a decreasing trend that means IBBPLC has given less importance on the development of its employees and in the improvement of the efficiency of employees.

Discussion:

The results of the study based on IBBPLC and Industry average have shown that, IBBPLC has facing a fluctuating trend on financial perspective at the years of 2018 to 2020 due to COVID-19 situation. But after 2021, the indicators of financial perspective particularly in case of liquidity management under sustainable growth in key financial indicators have shown significant decreasing result. IBBPLC has consistently enhanced its innovations in products, processes, and technology to meet the growing needs and demands of its various customer segments, which has resulted in a significant increase in the bank's customer base. Improved operations have contributed to this growth and the larger customer base has, in turn, enhanced the bank's business. This business growth has helped in maintaining the bank's profitability. The adoption of latest technology and innovations in banking services requires a highly skilled and well-trained workforce capable of adapting to changes and delivering excellent customer experiences (Gupta, A. K., et al, 2018). Although IBBPLC has increased its number of employees in recent years, the bank has fallen behind in providing adequate training on functional and technical aspects due to weak strategic decisions. This has affected the smooth functioning and improved operations of the bank. However, IBBPLC's responsible behavior toward its key stakeholders, society, and the environment has played a crucial role in sustaining its competitive advantage.

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So, based on this study, it has been shown that the overall performance of IBBPLC from 2018 to 2022 has been significantly influenced by the factors such as liquidity management, customer satisfaction, internal processes, learning and growth, innovation, social and environmental responsibility and strategic competitiveness, as analyzed through the balanced scorecard approach.

Conclusion:

The findings of this study have numerous implications for the authorities of IBBPLC as well as Bangladesh Bank and policy makers in the financial sector particularly in the case of significant fall of liquidity ratios at most recent year. The inclusion of the BSC as a performance measurement technique will help in the sustainable growth of the banking sector in Bangladesh. To have an effective BSC measurement, the commercial banks should convert its long-term strategies into a chain of objectives and KPIs that will develop and measure its non-financial performance also. BB should focus more on publishing study reports and industry data on customer, internal process and growth perspective. This will enable the banks getting easy access to non-financial data of the industry and assess their performance with the industry benchmark.

So, as concluding remarks, it can be specified that the implementation of balanced scorecard models in banks has yielded positive outcomes. Specifically, the financial, internal control, learning and growth, and customer perspectives have had a notably positive impact on the bank's performance. The bank's overall performance has seen significant improvement as a result of applying the balanced scorecard model across these various areas.

Scope for Future Research and Limitations of the study:

Further research can be done to investigate the reasons for fall in liquidity of IBBPLC. Again, same research can be conducted on other Islamic, foreign, nationalized and other private banks operating in Bangladesh. Different contingent factors such as- banks corporate governance, customer oriented survey for measuring customer satisfaction, employee related assessment for measuring learning and growth and other intellectual capital development, working environment and ICT advancement etc. would be the area of further study as these can facilitate or impede the implementation of the BSC. At the same time, additional studies are needed to identify the applicable key performance indicators of the BSC for the banking sector in Bangladesh.

As this study is based on secondary data, several information mainly of non-financial information related to customers, learning and growth was not accessible for analysis, as banks do not disclose those items. Due to measurement difficulty of various indicator of BSC model, some statistics cannot be used for the study which may affect the results. For more reliability and accuracy in results, more years can be taken for the study.

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