EVALUATION OF FINANCIAL AND NON-FINANCIAL PERFORMANCE MEASUREMENT OF NIGERIAN DEPOSIT MONEY BANKS

SANNI, Mubaraq
Department of Accounting, Kwara State, Malete, Kwara State
dr.smubaraq@gmail.com,

KADIR, Abdulraheem Olayiwola
Internal Audit Department, Kwara State University, Malete, Kwara State

ALIU, Ismaila Daudu
Kwara State Accountant General Office, Ilorin, Kwara State

ABSTRACT

The financial performance measurements of an entity aimed at evaluating the relevant costs of operating firms by incorporating financial measures such as operating profit and return on investment but failed to measure and integrate all the relevant non-financial factors critical to business success. Therefore, traditional accounting measures were being criticized as being inappropriate for managing businesses of corporate organizations. Consequently, most organizations fail to achieve their strategic goals and as a result are unable to promote a sustainable continuous improvement in performance measurement. In view of this, the study evaluates the relationship between the financial and non financial performance measurements of Nigerian Deposit Money banks. Judgmental sampling techniques was used to select 10 banks based on 2012 ranking by Business World, an independent weekly financial newspaper. The data were sourced through questionnaires administered on both the customers and employees of the selected banks. Multiple regression analysis was conducted to provide answer to the research questions raised. The result showed that customers' satisfaction and employees' satisfaction through learning and growth performance measurement perspectives are positively related to financial performance of the Nigerian Deposit Money Banks while the internal business process performance measurement perspective is negatively related to financial performance measurement. The study concludes that non-financial performance measures of customers' satisfaction and the learning and growth of employees influenced the financial performance of Nigerian banks. Therefore, the study recommends that adequate and deserved attention should be given to the non-financial performance measure of internal business process in order to achieve the overall strategic mission and vision of an entity.

CamScanner

INTRODUCTION

The rationale for preparation and presentation of financial statements is to provide information about the reporting entity's performance that is useful to a wide range of users for assessing the stewardship of the entity's management and for economic decisions making. Performance measurement plays a key role as a source of information about financial outcomes and the internal operations of an entity (Yeniyurt, 2003). This type of information is useful for planning, directing, controlling and decision making but the selection of performance measures depends on organization's objectives (Zuriekat, Salameh & Alrawashdeh, 2011).

Performance measurement has its roots in early accounting systems which aimed at aiding managers in evaluating the relevant costs of operating their firms by incorporating financial measures such as operating profit and return on investment (Kurein & Qureshi, 2011). These performance measures were financially based, internally focused, backward looking and more concerned with local departmental performance than with the overall health or performance of the business. These traditional financially based performance measurement systems failed to measure and integrate all the relevant non-financial factors critical to business success. Therefore, traditional accounting measures were being criticized as being inappropriate for managing businesses of the day (Bourne, Neely, John Mills, & Platts, 2003; Gomes, Yasin, & Lisboa, 2004 and Kurein & Qureshi, 2011). This fact was also evidenced in a recent survey of United States financial services which found that most companies were not satisfied with their performance measurement systems that have been used. They believed that there were too much emphasis on financial measures and little emphasis given on drivers of value such as customer and employee satisfaction, innovation and quality. Consequently, most organizations fail to achieve their strategic goals and are unable to promote a sustainable continuous improvement in performance measurement (Sarker, Sahabuddin & Kasem, 2012).

Besides, some argued that non-financial measures have no intrinsic value for the director; rather, they are leading indicators that provide information on future performance not contained in contemporaneous accounting measures but such leading indicators are especially necessary for performance measurement and management compensation when current managerial actions influence the firm's long-term financial return (Ittner & Larcker, 1998 and Hofmann, 2001). Ittner, Larcker & Randall (2003) reported that increasing numbers of companies have been measuring non-financial performance through customer loyalty, employee satisfaction and other performance areas that are not financial but that they believe ultimately affect profitability due to several benefits. They added that Managers can get a

CamScanner

glimpse of the business's progress well before a financial verdict is pronounced and the soundness of their investment allocations has become moot; employees can receive better information on the specific actions needed to achieve strategic objectives and investors can have a better sense of the company's overall performance, since non-financial indicators usually reflect realms of intangible value, such as research and development productivity, that accounting standards refuse to recognize as assets.

However, only few companies realize these benefits as they fail to identify, analyze and act on the right of non-financial measures. Most companies have neither made attempt to identify areas of non-financial performance that might advance their chosen strategy nor demonstrate a cause-and-effect link between improvements in those non-financial areas and in cash flow, profit, or stock price. Instead, many companies seem to have adopted boilerplate versions of non-financial measurement frameworks (Hofman, 2001). It therefore becomes necessary to assess whether firms that are performing financially are equally performing non-financially to avoid non-achievement of mission and strategy of the organization. Consequently, this study intends to address the relationship between financial performance measurement and non-financial performance. In order to provide answer to the research questions, hypotheses are tested on the significant relationship between the financial and non-financial performance measurements.

The remaining part of the study is structured as follows: The next section provides the review of related literature. Section three provides the methodology of the study. Section four presents the research findings while section five is the concluding part of the study.

LITERATURE REVIEW

Conceptual Issues: Evolution of Performance Measurement System (PMS)

According to Gomes et al. (2004), performance measurement has its roots in early accounting systems which evolved through two phases. The first phase which started in the late 1880s was characterized by its cost accounting orientation. This orientation aimed at aiding managers in evaluating the relevant costs of operating their firms which incorporated financial measures such as profit and return on investment. Majority of US companies by 1941 were using budgetary control in one form or other and by 1958, over 95 % of the companies budgets were used for overall control of company performance (Kurein & Qureshi, 2011). These accounting based performance measures were financially based, internally focused, backward looking and more concerned with local departmental performance than with the overall health or performance of the business (Bourne et al., 2003). These traditional financially-based performance measurement systems failed to measure and integrate

CamScanner

all the relevant factors critical to business success. By the 1980s, traditional accounting measures were being criticized as inappropriate for managing businesses of the day. The mid-1980 was a turning point in the performance measurement literature, as it marked the beginning of the second phase. This phase was associated with the growth of global business activities and the changes brought about by such growth. In the late 1980s, some frameworks, which attempted to present a broader view of performance measurement started to appear (Gomes et al., 2004). They emphasized the need for the association of financial and non-financial measures in order to be in accordance with business strategy. The emphasis was on the development of better integrated performance measurement systems. PMS also changed with this evolution of business organization from cost accounting system (before 1980s), mixed financial and non-financial systems (1990s) to balanced integrated approach (2000s) (Kurein & Qureshi, 2011).

Meaning and Characteristic of Performance Management System (PMS)

Neely, Adams & Crowe (2002) defined Performance Measurement System (PMS) as a balanced and dynamic system that enables support of decision-making processes by gathering, elaborating and analyzing information. Taticchi, Tonelli, & Cagnazzo (2010) further elaborate the definition of PMS with the concept of 'balance' and 'dynamicity '. 'Balance' refers to the need of using different measures and perspectives that tied together to give a holistic view of the organization while 'dynamicity' refers to the need of developing a system that continuously monitors the internal and external contexts and reviews objectives and priorities. Tangen (2004) opines that performance measurement is the set of metrics used to quantify the efficiency and effectiveness of an action. The main goal of PMS models and frameworks is to support management by helping them to measure business performance, analyze and improve business operational efficiency through better decision-making processes (Tangen, 2005). An effective integrated and balanced PMS can engage the organisation's performance measurement system as a vehicle for organizational change. PMS makes an indispensable contribution to decision making in an organisation, particularly in re-designing business goals and strategies and re-engineering processes (Charan, Shankar & Baisya, 2008).

Gunasekaran, Patel, & Tirtiroglu (2001) also assert that for effective management, measurement goals must consider the overall goals and the metrics to be used. These should represent a balanced approach and should be classified at strategic, tactical and operational levels, and be financial and non-financial measures, as well. Beamon (1999) cited by Kurien & Qureshi (2011) presents a number of characteristics that are found in an effective performance measurement

CamScanner

system which include Inclusiveness (measurement of all pertinent aspects); Universality (allow for comparison under various operating conditions); Measurability (data required are measurable) and Consistency (measures consistent with organization goals).

Beamon (1999); Gunasekaran et al. (2001); Gomes et al. (2004); Tangen (2005) and Thakkar, Kanda, & Deshmukh (2009) also assert that a good PMS must possess the following list of desirable characteristics though it is also very difficult to fulfill all requirements as suggested. A firm's performance measures should, among others, Be simple and easy to use; Have a clear purpose; Provide fast feedback; Relate to performance improvement, not just monitoring; Reinforce the firm's strategy; Relate to both long-term and short-term objectives of the organization; Match the firm's organization culture; Not conflict with one another; Be integrated both horizontally and vertically in the corporate structure; Be consistent with the firm's existing recognition and reward system; Focus on what is important to customers; Focus on what the competition is doing; Lead to identification and elimination of waste; Help accelerate organizational learning; Evaluate groups not individuals for performance to schedule; Establish specific numeric standards for most goals; It must reflect relevant non-financial information based on key success factors of each business; It must make a link to reward systems; The financial and non-financial measures must be aligned and fit within a strategic framework and minimum deviations should exist between the organizational goals and measurement goals (Kurien & Qureshi, 2011).

Frameworks and Models for Performance Measurement

A number of frameworks and models for performance measurement have been developed, since 1980s. These frameworks all have their relative benefits and limitations. Literature review indicates that empirical and theoretical validity of some of the frameworks are established whereas information about others is not available (Bititci & Turner, 2000). Kurien & Qureshi (2011) specifically highlight the following framework and model for PMS to include Balanced Scored Card (BSC); Performance Prism; Performance Pyramid; Theory of Constraints; Medori and Steeple's Framework; Supply Chain Reference Operation Model; Data Envelopment Analysis and Time Based Performance Measure. Literature review indicated that significant amount of work in the area of PMS has been done in the past decade. Even though remarkable progress has been made in the recent years in the design of performance measurement frameworks and systems, many companies are still primarily relying on traditional financial performance measures (Tangen, 2004). The modern frameworks have addressed the underlying conceptual issues, but have rarely addressed the practicalities of measurement in ways that render

CamScanner

them meaningful to practitioners but these theoretical frameworks need to be tested and evaluated in live situations. Therefore, this paper focus on the practical application of Balanced Score Card (BSC)

Concept of Balanced Score Card

In 1990 Robert Kaplan and Davis Norton embarked on a yearlong research project with 12 organizations at the leading edge of performance measurement. They then ascertained that traditional performance measures, having a financial bias and being centered on issues of control, refused to consider the key issue of linking operational performance to strategic objectives and communicating these objectives and performance results to all levels of the organization (Stefanović, Damnjanović, & Jaško, 2010). As a result of this obvious weakness of traditional performance measure, the concept of a Balanced Scorecard (BSC) as a more sophisticated approach was formulated for meeting these shortcomings.

According to Kootanaee Kootanaee, Hoseinian and Talari (2013), balanced scorecard method looks at the four aspects of a company's performance in an attempt to get a balanced view of company performance. Unlike traditional methods of tracking only the financial health of a business, the balanced scorecard gives a full picture as to whether a company is meeting its objectives. While it may seem that a company is doing well financially, it may not be so non-financially in terms of customer satisfaction being down, inadequate employee training is inadequate, or that the processes are outdated. Hence, the balanced scorecard is a strategy performance management tool supported by design methods and automation that can be used by managers to keep track of the execution of activities by the staff within their control and to monitor the consequences arising from these actions (Drury, 2012).

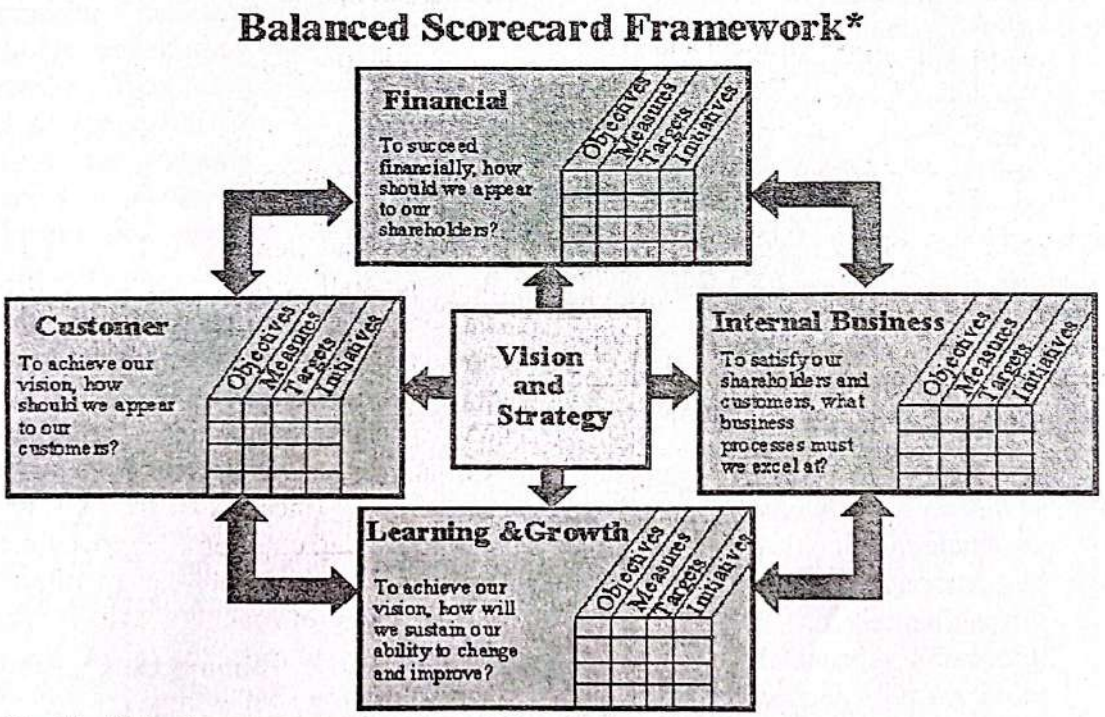
The Balanced Scorecard got its origin from a project conducted in the 1950s by a General Electric (GE) corporate staff group (Kaplan, 2010). The project team recommended that divisional performance must be measured by one financial and seven non-financial metrics. These measurement parameters include: Profitability (measured by residual income); Market share; Productivity; Product leadership; Public responsibility (legal and ethical behavior, and responsibility to stakeholders including shareholders, vendors, dealers, distributors, and communities); Personnel development; Employee attitudes; Balance between short-range and long-range objectives.

Kaplan (2010) further links these eight performance measures to the four perspectives of the balanced score card as follows: The financial perspective is represented by the first GE metric, the customer perspective with the second, the internal process perspective with GE metrics three to five and the learning and growth perspective with GE metrics six and seven. The 8th GE metric captures

CamScanner

the essence of the Balance Scorecard, thus encouraging managers to achieve a proper balance between short and long-range objectives. Consequently, the approach looks at performance from four perspectives: financial, customer, internal process and learning and growth (Souad, 2009; Martin, 2010 and Drury, 2012). These four perspectives are represented in figure 2.1 below.

Figure 2.1 Balance Scorecard Frameworks



* Adapted from Kaplan & Norton 1996. *The Balanced Scorecard*. Harvard Business School Press: 9. Original from HBR Jan/Feb 1996, p. 76.

Figure 2.1 reveals the four perspectives noted by Kaplan and Norton (1996) with respect to the objectives, measures, targets and initiatives to achieve the vision and strategy of the organisation. The first perspective is the financial perspective which focuses on performance measures relating to the financial outcomes of past actions, thus, providing feedback on the success of pursuing the objectives identified for the other three non-financial perspectives. The customer perspective identifies customer and market segments in which the business unit will compete to achieve large market share, customer retention, satisfaction and profitability. The third perspective on internal business process measures internal process that will have greater impact on customer satisfaction and achievement of organisation's financial objectives. The last perspective identifies the infrastructure that business must acquire to create a long term

CamScanner

growth and improvement. This could be achieved through employee capabilities, information system capabilities, empowerment and alignment.

Mahdi and Behzad (2010) describe balanced scorecard as an innovative tool which has considered not just the financial indices but also the non-financial indicators as equally critical in determining organizational performance. They further explained that the advantage of this method is that it can allow the managers to know the vacuum of work as good as it can be transferring this strategy to the total company system.

Notwithstanding the usefulness of the balanced score, this approach has received a lot of criticism over time. Kanji (2002) notes that Balanced Scorecard is only a conceptual model and it is very difficult to elaborate this based on the methodology provided by Kaplan and Norton without previous thorough practical experience.

Theoretical Background

In an attempt to provide a sound theoretical background for this study, this paper adopts the Stakeholder Theory and Enlightened Stakeholder Theory.

Stakeholder Theory

Stakeholder theory posits that firms should pay attention to all their constituencies in the organization. Stakeholders are defined as the groups or individuals, inside or outside the enterprise, that have a stake or can influence the organization's performance (Atkinson, Waterhouse and Wells, 1997). The theory generally identifies five stakeholder groups for a company: Three of them are shareholders, customers and communities who define the external expectations of a company's performance. The other two are suppliers and employees (Atkinson, Waterhouse and Wells, 1997). Stakeholder theory was useful to articulate a broader company mission beyond a narrow, short-term shareholder value-maximizing model. It increases companies' sensitivity about how failure to incorporate stakeholder preferences and expectations can undermine an excessive focus on short-term financial results. The Balanced Scorecard, however, incorporates stakeholder interests endogenously, within a coherent strategy and value-creation framework, when outstanding performance with those stakeholders is critical for the success of the strategy.

Enlightened Stakeholder Theory

Enlightened stakeholder theory is consistent with stakeholder theory except that it adds the simple specification that the objective functions—the overriding goal—of the

firm is to maximize total long-term market value of a firm. In short, the change in the total long term market value of the firm is the scorecard by which success is measured (Jensen, 2001). This theory, in other words, is supporting the fact that organizations' performance should not only be measured on the basis of a short term financial results but also the long term market value enhancement which is quite in line with the concept of balanced score card.

Empirical Studies

Zuriekat, Salameh & Alrawashdeh (2011) investigated Participation in Performance Measurement Systems and Level of Satisfaction. The results, using structural equation modeling indicate that performance measurement diversity is associated with the satisfaction of performance measurement system. Therefore, the study concluded that companies benefit from performance measurement systems that incorporate a wide range of financial and non-financial performance measures. Sarker, Sahabuddin & Kasem (2012) carried out a theoretical study on non-financial factor of measuring organizational performance with long term financial capability. The study found that non-financial measures are increasingly important in decision-making and performance evaluation and that the choice of measurements must be linked to factors such as corporate strategy, value drivers, organizational objectives and the competitive environment.

Paul and Panos (2005) conducted a research in response to the United Kingdom's government's desire to improve the performance of tourism, hospitality and leisure small medium-sized enterprises. This study analyzed the performance measurement processes within 10 best practice organizations. Related to contemporary approaches to improving business performance in the management literature, performance measurement approaches are analyzed using the balanced scorecard framework. Results revealed that four key concepts drove measurement and performance evaluation systems across the samples. These were the exercise of budgetary control with a view to increasing total revenue, the undertaking of customer relationship management as a means of improving quality of service and customer retention, the necessity for strategic management in managing internal business processes, and collaboration (both inter and intra) to drive innovation and learning.

Neely, Kennerley and Martinez (2010) conducted an empirical investigation on the level of adoption of the balanced scorecard among US firms. The finding reveals that between 30 and 60% of large US firms have adopted the Balanced Scorecard. Kairu, Wafula, Okaka, Odera and Akerele (2013) examined the effects of the Balanced Scorecard (BSC) on performance of firms in the service sector. The study location was in Kakamega Municipality, Kenya and a survey research design

CamScanner

involving 200 service providing firms was utilized. The study reveals that non-financial criteria are as important as financial criteria in measurement systems and when both measures are integrated in the system, they lead to superior results.

Ricardo and Joyce (2009) aimed to contribute to the theory of public management by presenting empirical evidence of using the Balanced Scorecard for third sector organizations. Data were collected through focus group and individual interviews and analyzed using interpretation and content analysis. The findings corroborate Kaplan and Norton's (2001) suggestion that non-profit organizations should put customers at the top of their strategic maps. Banker, Potter and Srinivasan (2000) confirmed that there exists a direct relationship between customer satisfaction indicators and financial performance.

Specifically for the banking sector, Hamzah, Yuserrie and Noor (2010) conducted a research on Balanced Scorecard Usage and Financial Performance of Branches in Jordanian Banking Industry and found that there are links between financial branches performance and the overall BSC measures usage. They concluded that branches with greater usage of Customer Oriented indicators and Product/service Oriented indicators will experience enhancement in financial performance. The usage of Financial and Employee oriented indicators was found to have no significant impact on financial branches performance. In contrary to these findings, Maiga and Jacobs (2003) conclude that there is no significant relationship between the four BSC perspectives and performance.

Notwithstanding the above review of literature, Empirical evidence that explores the performance impact of the balanced scorecard is extremely rare in Nigeria and of particular in the banking sector and much that is available is anecdotal at best.

METHODOLOGY

Research Design, Data Sources and Sampling Selection

The study adopts survey research design method which involves the use of questionnaire survey technique. This technique was adopted because of its advantages over other methods in terms of relatively high population and the generalizability of the sample selected to the population (Pallant, 2007).

Since this research is aimed at contributing towards a very important aspect of the modern tool of financial planning and control with reference to Nigerian deposit money banks, the population of the study comprises all staff and customers of the twenty-one (21) deposit money banks listed on the Nigerian Stock Exchange as at 31st December, 2012. Judgmental sampling techniques was adopted in selecting the first ten ranked banks in the year 2012 by Business World, an independent weekly financial newspaper based on the five financial performance indicators: Asset quality, Capital adequacy,

Liquidity status, Earnings and Cost efficiency (See Appendix I).

The head offices of the selected banks in Lagos state were used for the survey since all operational and managerial issues emanate from the head offices of these banks. Moreover, Lagos state is a pivotal part of the country where most of the economic and commercial activities take place (Auta, 2010). However, the study population for the customers of the banks cannot be determined with precision because of the opaque nature of the Nigerian banking sector, So, the sample size is determined using a mathematical model developed by Cochran (1963) as:

$$N = \frac{Z^2 * P*(1-P)}{E^2}$$

Where:

N is the required sample size for an unknown population,

Z depends on the confidence level as represented in the Z-score (ranging from 90% =1.96, 95% =1.645 and 99%= 2.326)

P is the precision level or the standard deviation (usually +/- 0.5)

E is the margin of error (usually +/- 50%). Based on this mathematical expression, and a confidence level of 95% at 1.645, the study sample size will be given as:

$$N = \frac{(1.645)^2 * 0.5*(1-0.5)}{(0.5)^2}$$

N = 384.16, approximately 384. The required sample size for this study is 384, although, in order to have an even distribution of questionnaires among all the banks, the study administered 40 (Forty) questionnaires to each banks' customers making a total sample size of 400 (Four hundred) customers. The points of meeting the customers are the banks' offices, ATM stands and supermarkets. Judgmental sampling technique was used to select 10 bankers from various departments at the head offices of each bank making a total of 100 bankers as the sample size.

The customers' questionnaires were used to elicit their responses on issues that relate to their satisfaction with regards to the financial performance while the employees' questionnaire was used for eliciting information on the learning and growth perspective and internal business process perspective of the employees with regards to financial performance.

Data Analysis Technique

Descriptive and inferential statistics techniques were used to analyze the data collected. Descriptive statistics were used to provide a snapshot of variables used and to describe the socio-demographic characteristics of the respondents. The inferential statistics involved the use of multiple regression method to analyse the data used in this study. In the regression, the non-financial performance indicators (the explanatory variables) were regressed on

CamScanner

the financial performance (the dependent variable).

Research Variables and Model Specification

The balanced scorecard provides a comprehensive framework for translating a company's strategic objectives into coherent set of performance measures which had been streamlined into four perspectives: financial, customer, business processes, and learning and growth. Cause and effect relationship is a critical assumption of balanced scored cards that link strategy formulations to financial outcomes (Kaplan & Norton, 2001; Martin, 2010 and Drury, 2012). This implies that perspective measures of customer satisfaction, internal business processes and learning and growth perspectives are the driver of the financial perspective. Consequently, the following model is deployed for the study.

$FP = f(CS, ETS, IBP)$.

Therefore, the linear equation for the model is:

$$FP = \beta_0 + \beta_1 CS + \beta_2 ETS + \beta_3 IBP + e$$

Where:

FP: Financial performance measurement

CS: Customer satisfaction measurement

ETS: Employees satisfaction measurement

IBP: Internal business process measurement

β_0: The intercept of equation.

β_1, β_2 and β_3: Coefficients for independent variables.

e: The error term

The a-priori expectation or the expected behaviour of the independent variables (The CS, the ETS and the IBP) on the dependent variable (FP) in the model is β_1, β_2 and $\beta_3 > 0$. This implies that a positive relationship is expected between the dependent variable and the independent variables.

DISCUSSION OF THE FINDINGS

A total number of 500 (Five hundred) questionnaires were administered to both customers (400) and employees (100) of deposit money banks out of which 485 (Four hundred and eighty-five) were filled and returned, 9 (Nine) were badly filled by customers. Thirteen (13) and Two (2) were not returned by customers and employees respectively while all the badly filled questionnaires are from customers. Therefore, a total of 476 (Four hundred and sixty-six) were properly filled representing 378 (Three hundred and Seventy-eight) from customer (94.5%) and 98 (Ninety eight) from employees (98%) of the study sample respectively. Data collected include demographic data of the respondents as well as data on the perspective measures of customer satisfaction, internal business processes, and learning and growth perspectives. The data obtained were collated and transformed into regress-able form that fits the model.

Socio-Demographic Characteristics of Respondents

The demographic characteristic of the respondents are presented in Table 1

Table 1: Demographic Characteristics of Respondents

S/N	Characteristics of Respondents	Customers		Employees	
		Frequency	Percentage (%)	Frequency	Percentage (%)
1	**Gender:**				
	Male	266	70.4	64	65.3
	Female	112	29.6	34	34.7
		378	100.00	98	100.00
2	**Age:**				
	Under 30	27	7.1	12	12.2
	30-39	92	24.3	32	32.7
	40-49	197	52.1	45	45.9
	50 and above	62	16.4	9	9.2
		378	100.00	98	100.00
3	**Educational Qualification:**				
	OND/NCE	21	5.6	11	11.2
	Bachelor/ HND	298	78.8	71	72.4
	Master's Degree	59	15.6	16	16.3
		378	100.00	98	100.00
5	**Departments:**				
	Operations			52	53.1
	Marketing			22	22.4
	ICT	N/A	N/A	9	9.2
	Fund Transfer Unit			8	8.2
	Security Unit			7	7.1
				98	100.00
7	**Management level of Staff:**				
	Top Management	N/A	N/A	13	13.3
	Middle Management			77	78.6
	Lower Management			8	8.2
				98	100.00

Source: Authors' Computation, 2014

The survey result, as shown in table 1, reveals that 70.4% of the customers were male and 29.6% were female while 65.3% of employees were male and 34.7% were female. This indicates that a larger number of the respondents form customers and employees were male who are head of family and can

personally make a decision without any bias. The survey of customers also shows that 7.1% of the customers are below the age of 30 which is the lowest among the age groups, 24.3% are between 30-39 years while the largest percentage of the respondents 52.1% are within the age bracket of 40-49 years. 16.4% constitutes age of 50 years above. The survey of employees' age reveals that 12.2% are below the age of 30, 32.7% and 45.9% represent age bracket between 30-39 years and 40-49 years respectively. Age bracket of 50 years and above constitute 9.2%. Therefore, it can be concluded that majority of the respondents for both customers and employees are within their productive years.

With respect to educational qualifications, the result of the survey reveals that customers with OND/NCE represent 5.6% of the sample size. 78.8% is customers with Bachelor/HND holders while 15.6% are customers with master's degree. The survey of employees shows that larger percentage of the employees possess Bachelor/ HND certificates, this represents 72.4% of the employees. 11.2% and 16.3% of the employees have OND/NCE and master's degree respectively. The result of the survey implies that both the customers and employees have the minimum educational requirements to provide the required answers to the questions.

The remaining questions are specifically for employees and the result reveals that 53.1% of the respondents are in the operations department, while the remaining 46.9% are from other departments including Marketing which has 22.4%, Information and Communication (ICT) having 9.2%, Fund Transfer Unit which constitutes 8.2% and 7.1% from Security Unit of the banks. This implies that majority of the employees are in operational division of the banks. Also, the survey result shows that 78.6% of the employees are middle line managers of the banks and 13.3% represent the top management staffs of the head office who take part in management decisions in respect of the banks while 8.2% are lower management staff. The required information with respects the non-financial perspective of the banks will be best sought from the middle line managers as they represent all the groups in the banks.

Descriptive Statistics of the Data

The descriptive statistics results of the dependent and independent variables of the study were presented in table 2. Key figures, including Mean, Standard Deviation, Minimum and Maximum values are reported in order to give the overall description about data used in the model and to provide a snapshot of the variables.

CamScanner

Table 2: Descriptive Summary Statistics

ITEMS	Mean	Minimum	Maximum	Std. Deviation
Customer Satisfaction Measurement	4.4583	1.75	17.50	1.04352
Employee Satisfaction Measurement	3.9911	1.40	5.00	0.66918
Internal Business Process Measurement	4.2268	2.00	9.60	0.72028
Financial Performance Measurement	3.8250	1.75	12.4	0.85279

Source: Author's Computation (2014)

The descriptive statistic results as shown in table 2 reveals that the customer satisfaction measurement has the highest average result of 4.46% compared to the mean of employee satisfaction, internal business process and financial performance measurements which has 3.99%, 4.23% and 3.82% respectively.

The standard deviation of the variable (UCPS) stood at 1.04, 0.67, 0.72 and 0.85 for customer satisfaction, employee satisfaction, internal business process and financial performance measurements respectively. Largely, the variables present low standard deviation, which implies that there is no much variation among the variables used in the study. This indicates that the variables remain reasonably stable within the period of the study.

Reliability Analysis of the Variables

In order to assess the reliability of the variable used, the Cronbach Alpha was calculated for each variable and the results are presented in table 3.

CamScanner

Table 3: Reliability Test of the Variables

Variables	Number of Items	Cronbach Alpha
Customer Satisfaction Measurement	7	0.763
Employee Satisfaction Measurement	4	0.745
Internal Business Process Measurement	5	0.759
Financial Performance Measurement	3	0.701

Source: Authors' Computation (2014)

The result of reliability test as presented in table 3 shows that the customer satisfaction, employee satisfaction, internal business process and financial performance measurements have an Alpha of 0.763, 0.745, 0.759, and 0.701 respectively. This implies that questions generated for each of the variables are reliable since all the alpha values are above the acceptable level of 0.7 (George and Mallery, 2003).

Result of Multiple Regression Analysis

The result of the Multiple Regression Analysis of impact of non-financial measurement perspective on financial performance measurement is provided in table 4 below.

Table 4: Result of Multiple Regression Analysis

Explanatory Variables	Coefficient	T – statistics	Probability
(Constant)	38.839	0.774	0.003
Customer Satisfaction Measurement	11.513	0.630	0.001
Employee Satisfaction Measurement	9.466	1.554	0.032
Internal Business Process Measurement	-1.073	-2.445	0.643
R^2	0.947		
Adjusted R^2	0.789		

F- statistics	5.983	
F – statistics prob.	0.290	

Source: Authors' computation, 2014

The regression result as shown in Table 4 indicates that the estimated model is fairly good as it has a R^2 and an adjusted R^2 of 0.947 and 0.789 respectively. This shows that 79% of the variation in the dependent variable can be explained by the explanatory variables while the remaining 21% is subjected to extraneous variables not covered by the study. In addition, the F-statistics was 0.001 indicating that the model is good.

Table 4 shows that two of the explanatory variables (customers' satisfaction and employees' satisfaction performance measurements) have significant positive relationship with the dependent variable (financial performance measurement) at 1% and 5% level of significance respectively. The result is therefore consistent with our a-priori expectation. This implies that performance measurement, through customer satisfaction and employee satisfaction perspectives, contributes to financial success of the Nigerian banks. This has been confirmed by Banker, Potter and Srinivasan (2000) that there exists a direct relationship between customer satisfaction indicators and financial performance. This finding is also in line with the result of Paul and Panos (2005); Neely, Kennerley and Martinez (2010); Kairu, Wafula, Okaka, Odera and Akerele (2013); Hamzah, Yuserrie and Noor (2010).

However, the internal business process shows no significant relationship with the financial performance. Hence, the result is not consistent with the a-priori expectation. The inconsistency could be due to the fact that new product introduction in banking sector is quite expensive and customer may not want to take risk in patronizing the new product. This is in line with the findings of Maiga and Jacobs (2003) who conclude that there is no significant relationship between the four BSC perspectives and performance. The findings may perhaps be as result of wrong time of introducing the new product into the market as suggested by Droge, Jayaram and Vickery (2000).

Generally, the study may conclude that the non-financial measures are very essential in the achievement of the financial objectives in Nigerian Deposit Money Banks. The achievement of most of the four performance measurements perspectives confirm the relevance of the stakeholder theory and the enlighten stakeholder that Nigerian banking sector is not only focusing on the interest of the single stakeholder, but rather, on all the affected stakeholders of the industry.

CONLUDING REMARK

Financial performance measures have been considered merely as a reflection of past activities. Non-financial leading measures shown in logical cause-and effect relationship with financial performance measures should

CamScanner

be allowed to pave way for future potentials of organizations. However, the BSC approach combines traditional financial performance measures with non-financial performance measures of customer, internal business processes and organization innovation and learning. Consequently, the findings confirm that combining the financial and non-financial performance measurement helps managers to understand, at least implicitly, many interrelationships. This understanding can help managers transcend traditional notions about functional barriers and ultimately lead to improved decision making and problem solving. The study concludes that BSC keeps companies looking and moving forward instead of backward in order to achieve their strategic mission and vision.

From the foregoing, the study concludes that non-financial performance measures influenced the financial performance of Nigerian banks. The performance of the first ten ranked banks could be attributable to the priority attention such banks have given to the non-financial performance measures. Therefore, the study recommends that adequate and deserved attention should be given to the non-financial performance measure of internal business process in order to achieve the overall strategic mission and vision of an entity.

REFERENCES

Atkinson, A., Waterhouse, J. & Wells, R., (1997). A stakeholder approach to strategic performance measurement, *Sloan Management Review* (Spring).

Auta, E. A. (2010). E-banking in developing economy: Empirical evidence from Nigeria, *Journal of Applied and Quantitative Methods*, 5(2), 212- 222.

Banker, R.D., Potter, G. & Srinivasan, D. (2000). An empirical investigation of an incentive plan that includes non-financial performance measures. *The Accounting Review. 75(1) .65- 92*

Beamon, B.M., (1999). Measuring supply chain performance. *International Journal of Operations & Production Management*, 19 (3), 275-292.

Bititci, U. S., Carrie, A. S. & Mcdevitt, L. (1997). Integrated performance measurement systems: A development guide. *International Journal of Operations & Production Management. 17(5). 522-534.*

Bititci, U.S., & Turner. T., (2000). Dynamics of performance measurement systems. *International Journal of Operations & Production Management*, 20 (6), 692-704.

Bourne, M., Neely, A., John Mills, J., & Platts, K., (2003). Implementing performance measurement systems: A literature review. *International Journal of Business Performance Management*, 5 (1), 1-24.

Cagnazzo, L., Taticchi, P., & Brun, A., (2010). The role of performance measurement systems to support

quality improvement initiatives at supply chain level. *International Journal of Productivity and Performance Management*, 59 (2), 163-185.

Charan, P., Shankar, R. & Baisya, R. K., (2008). Analysis of interactions among the variables of supply chain performance measurement system implementation. *Business Process Management Journal,* 14 (4), 512-529.

Chan, Y. (2004). Performance measurement and adoption of balanced scorecards: A survey of municipal governments in the USA and Canada. *International journal of public sector management*, 17(3). 204-221.

Cochran, W.G. (1963). *Sampling techniques* (2nd ed.). New York: John Wiley and Sons, Inc.

Droge, C., Jayaram, J. & Vickery, S. (2000). The ability to minimize the timing of new product development and introduction: an examination of antecedent factors in the North American automobile supplier industry. *Journal of Production Innovation Management*, 17. 24-40.

Gomes, C.F., Yasin, M. M., & Lisboa, J.V. (2004). A literature review of manufacturing performance measures and measurement in an organizational context: a framework and direction for future research. *Journal of Manufacturing Technology Management*, 15 (6), 511-530.

Gunasekaran, A., Patel, C., & Tirtiroglu, E. (2001). Performance measures and metrics in a supply chain environment. *International Journal of Operations & Production Management,*. 21(1/2), 71-87.

Hamzah, H. A., Yuserrie, Z. & Noor, N. K.(2010) .Balanced Scorecard (BSC) Usage and Financial Performance of Branches in Jordanian Banking Industry. *World Academy of Science, Engineering and Technology. Jordan.*

Hofmann, C. (2001) *Balancing Financial and Non-Financial Performance Measures* . First Edition. Germany,University of Hanover, Koenigsworther Platz 1, 30167 Hanover, hofmann@controlling.uni-hannover.de

Ittner, C. & Larcker, D. (1998). Innovations in performance measurement: trends and research implications. *Journal of Management Accounting Research*, 10, 205-238.

Ittner, C., Larcker, D. & Randall, T. (2003). Performance implications of strategic performance measurement in financial services firms. *Accounting, Organizations and Society*, 28 (7/8), 715-741.

Jensen, C. M. (2001). Value maximization, stakeholder theory, and the corporate objective function. *Journal of Applied Corporate Finance*. 12(1). 1-17

CamScanner

Kairu, E. W.,Wafula, M. O., Okaka, O. Odera, O & Akerele, E. K.(2013) Effects of balanced scorecard on performance of firms in the service Sector. *European Journal of Business and Management www.iiste.org. ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online) 5 (9).*

Kaplan, R.S., & Norton, D.P. (1996). The balanced scorecard: Translating strategy into action. *New York: Harvard Business School Press.*

Kaplan, R. S. & Norton, D. P. (2001). The balanced scorecard – measures that drive performance" *Harvard Business Review. 70(1). 71-79*

Kaplan, R. S. (2010). Conceptual foundations of the balanced scorecard. *Handbook of Management Accounting Research, 3. 1-37*

Kootanaee, A. J. Kootanaee, H. J. Hoseinian, H. & Talari, H. F.(2013). The balanced scorecard, alphabet of the modern management: From concept to implementation. *Advances in Management & Applied Economics.*3 (1). 47-60

Kurien, G. P. & Qureshi, M.N. (2011) Study of performance measurement practices in supply chain management. MultiCraft Limited. *International Journal of Business, Management and Social Sciences, Vol. 33 2, No. 4, 2011, pp. 19-34*

Maiga, A.S. & Jacobs, F.A. (2003). Balanced scorecard, activity based costing and company performance: An empirical analysis. *Journal of Managerial Issues 15(3), 283-301.*

Martin, J. R. (2010). The Balanced Scorecard Concepts . Retrieved from: http://www. Maaw.info/BalScoreSum.htm. Retrieved 22/08/2013.

Neely, A., Adams, C., & Crowe, P., (2002). The performance prism in practice. *Measuring Business Excellence*, 5 (2), 6 - 1 2.

Neely, A., Kennerley, M & Martinez, V. (2013) Does the balanced scorecard work: An empirical investigation. Centre For Business Performance, Cranfield School Of Management, Cranfield, Bedfordshire, Mk43 0al, UK. Retrieved on 31st December, 2013.

Pallant, J. (2007). *SPSS survival manual: A step by step guide to data analysis using SPSS for windows.* Version 15, Berkshire: Allen and Unwin, Open University Press, McGraw Hill Education.

Paul, P. & Panos, L. (2005) Performance measurement systems in tourism, hospitality, and leisure small medium-sized enterprises: A balanced scorecard perspective *Travel and Tourism Research Association. Journal of Travel Research 44 (2) 345-358.*

Ricardo, C. G. & Joyce L. (2009). The balanced scorecard as a performance management tool for third sector organizations: The

case of the Arthur Bernardes Foundation, Brazil International Centre for Public Services Management/Nottingham Business School, Nottingham, United Kingdom. *Copyright © 2009 Brazilian Administration Review.*

Richard, L. & David P.l (2004) *Advanced financial accounting.* (Seventh Edition). Edinburg Gate England: Prentice Hall.

Rozita J. R., Ibrahim, D. N., & Zainuddin, Y. (2008). The performance consequence of multiple performance measures usage. *Evidence from the Malaysian manufacturers multiple performance measures. 57(2). 119-136.*

Sarker,M., Sahabuddin, M., & Kasem, N (2012). Non financial factor of measuring organizational performance brings long term financial capability: An experience from Bangladesh. *International Journal Of Research In Commerce & Management, 3 (5).*

Stefanović, I., Damnjanović, P. & Jaško, O. (2010). The analysis of the contemporary environment impact upon organizational operations *Serbian Journal of Management* 5 (1), 97 - 109.

Tangen, T., (2004). Performance measurement: from philosophy to practice. *International Journal of Productivity and Performance Management,* 53 (8), 726-737.

Tangen, T., (2005). Insights from research: Improving the performance of a performance measure. *Measuring Business Excellence*, 9 (2), 4-11.

Taticchi, P., Tonelli, F., & Cagnazzo, L., (2010). Performance measurement and management: A literature review and a research agenda. *Measuring Business Excellence*, 14 (1), 4-18.

Thakkar, J., Kanda, A., & Deshmukh, S.G., (2009). Supply chain performance measurement framework for small and medium scale enterprises. *Benchmarking: An International Journal*, 16 (5), 702-723.

Yeniyurt, S. (2003).A literature review and integrative performance measurement framework for multinational companies. *Marketing Intelligence & Planning*, 21 (3), 134-142.

Zuriekat, M., Salameh, R., & Alrawashdeh, S. (2011). Participation in performance measurement systems and level of satisfaction. Centre for Promoting Ideas, USA *www.ijbssnet.com . International Journal of Business and Social Science, 2 (8), 5-7*

CamScanner

APPENDIX I

Bank Performance Table 2012

Name of Bank	Health Status [Total Score 50%]			Operating Efficiency [Total Score 50%]		Total Marks Obtained [%]	Overall Ranking
	Asset Quality [20%]	Capital Adequacy [15%]	Liquidity [15%]	Earnings [30%]	Cost Efficiency [20%]		
Guaranty Trust Bank	20	9.5	10	25	15	79.5	1st
Zenith Bank	20	13	11	20	12.5	73.5	2nd
First Bank	20	7.5	9	18	12	66.5	3rd
Access Bank	14	9.5	10.5	13	12	59	4th
Fidelity Bank	12	13	11	10.5	11	57.5	5th
Unity Bank	13	8.5	11	12	8	52.5	6th
FCMB	15	13	3.5	12.5	5	49	7th
Diamond Bank	10	7.5	9.5	15	5	47	8th
UBA	11	4	13	9	8	45	9th
Skye Bank	12	7.5	5	10.5	8	43	10th

Source: http://www.gtbank.com/media-centre/gtbank-in-the-news/49-media/gtbank-in-the-news/299-bank-performance-ranking-2012-how-they-stand