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PERFORMANCE MANAGEMENT OF FIRST PRIVATE BANK, MYANMAR. (FPB)

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PERFORMANCE MANAGEMENT OF FIRST PRIVATE BANK

A thesis submitted as a partial fulfillment towards the requirements for the degree of Master of Banking and Finance (MBF)

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ABSTRACT

This study has been conducted to define Balance Scorecard model as one of the evaluation system in bank. Financial institutions and banks are trying to increase their competitive advantage, so find a comprehensive evaluation model for the performance that is a main key to survive and get competitive position. There are several theories and methods of assessment that can be employed depending on the size and type of organization. The purpose of this study is to contribute to the understanding of how Balance Scorecard is developed and applied in evaluation the performance management of FPB. Secondary data and interview method was employed. Using the concepts of Kaplan and Norton, Balance Scorecard was derived to measure the performance of FPB from 2015 to 2018 financial year. According to research, the analyzed of FPB showed only marginally the impact of non-financial perspectives on financial performance. Analysis also showed that in assessing performance of FPB some critical non-financial factors such as customer satisfaction, efficient internal processes and the quality of staff play a crucial role. According to research, FPB creates the enabling environment for innovation to flourish definitely be awarded with efficient processes. Therefore, the well-structure internal process of FPB is leading to higher customer satisfaction. But the study also revealed that the BSC framework indeed provides additional information when used to assess the performance of FPB it was found that balanced scorecard had a great impact on performance. This research has shown that the four perspectives of the balanced scorecard were significantly different from each other. The research concludes that, FPB relied heavily on financial perspective to measure performance.

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CHAPTER I
INTRODUCTION

The financial sector is the lifeblood of any country's economy, and its smooth functioning is central to the economy's rapid and inclusive economic growth. A well-functioning financial system must intermediate efficiently between savers and borrowers; manage risks prudently; provide a wide variety of financial services to firms, farms, and households; mobilize savings effectively; identify and lend for sound investments; remain robust in the face of shocks; and ensure that access to finance is available to all.

Achieving these aims in Myanmar require making gradual, steady, and transparent reforms to the current financial system to overcome the failings of the past, address the sector's weaknesses, and build on its strengths. Policymakers were also required to display patience and flexibility—knowing that the pace of reform were to match the country's availability of skills and its institutional capacity. Also, periodic shocks, whether originating at home or abroad, were also required strategic adjustments and an occasional recalibration of priorities.

Reform of Myanmar's banking sector began in 2011 when the government permitted private banks to conduct foreign exchange transactions and set up ATMs across the country. In 2012, the government approved the Foreign Exchange Management Law, followed by the enactment of the Central Bank of Myanmar (CBM) Law in 2013. The latter established the autonomy of the CBM as the licensing authority and regulator of all banks in Myanmar. In 2014 and subsequently after 2 years, total no of 13 foreign banks were granted a license. The inclusion added over MMK1.6 trillion (US$1.2 billion) in combined regulatory capital to the system, tripling government revenue.

Finally, the Financial Institutions Law of Myanmar, passed in January 2016, represented a major step towards modernizing the sector. The law established governing regulations for both domestic and foreign financial institutions. It also attempted to level the playing field between private and state-owned banks and confirmed the CBM's regulatory powers over the banking sector.

Myanmar banking sector is developing but still needs to go a long way to become competitive with international foreign banks. In spite of financial and banking sector reforms banking sector is still under developed. The number of private banks had increased to 25 private banks and 13 foreign banks as at 2019. Deposits with private sector banks have exceeded state-owned deposits. Accordingly, trust and confidence in private banks has increased.

Local banks are also in the process of upgrading and modernizing IT infrastructures and adopting CORE banking solutions. Some banks had launched internet banking. ATMs are now seen in most of commercial sites. Still, banks need to adopt international standards and best practices. Movement toward implementation of International Financial Reporting Standard (IFRS) is now underway.

Competition among local banks is keen. Big banks with wide branch network were unilaterally cutting down remittance rates, hiking interest rates on deposits and cutting lending rates. Some banks even conduct activities by breaking rules and regulations prescribed by CBM. As a result, some banks were incurring losses and profits of some banks have declined. Although healthy competition is desirable, unfair competition is hurting smaller banks.

With regards to First Private Bank, which has been studied, FPB has grown steadily and made profits continuously. Alongside with the current market conditions in Myanmar, FPB is also in transforming stage over the areas such as Bank Technology and IT, business practices, staffs training, to have diversified financial products. In this study, we are going to analyze the overall performance of FPB in this current competitive market situation.

1.1 Rationale of the Study

Banks play very important roles in the economic development of nations as they, to a large extent, wield control over the supply of money in circulation and are the main stimuli of economic progress. As the banking sector is considered a vital segment of a modern economy, its efficiency is of vital importance. In order to ensure a healthy financial system and an efficient economy, banks must be carefully evaluated and analysed.

Banks need to evaluate and analyze its performance to determine their operational results and their overall financial condition; measure their assets quality, management quality and efficiency, and achievement of their objectives; as well as ascertain their earning quality, liquidity, capital adequacy, and level of bank services.

Myanmar Banks has been operating in a multifaceted global economy that is no longer driven by sweat and steel but by information and data. Within this shifting economy, accessing own bank's performance in timely manner became an important success factor. Myanmar banks are currently focusing on the performance measurement of their banks to the extend that they even recruit the Business Performance Manager whose job include the ability to manage multiple high-priority projects simultaneously and also proven ability to manage conflicting stakeholder interests effectively with fair and transparent decision making; calculated risk-taking.

Among Myanmar private banks, which are going through a rigorous competition, this research is aimed to analyze the overall performance of the Frist Private Bank in Myanmar using Balance Score Card "BSC" as performance evaluation tool. Especially, in developing country, Listed companies play an important role of the country's economy. Being a listed bank on the YSX in Myanmar, FPB publish the financial statements and the disclosure in accordance with YSX rules and regulations. Many users such as analysts, shareholders, suppliers and customers are also accessing their information and company's updates. Hence, FPB being a listed company is also very important to do self-performance measurement to avoid loss of public confidence and the stakeholder's trust.

A balanced scorecard is a performance metric used in strategic management to identify and improve various internal functions of a business and their resulting external outcomes. It is used to measure and provide feedback to organizations.
It basically is a strategic management system that helps organizations to identify strategies and make it executable (Braam&Nijssen, 2004; Chen, Chen&Peng, 2008). BSC was devised and designed by Robert Kaplan of Harvard University and David Norton, who was working as a consultant in the Boston area in 1992 (Kaplan&Norton, 1992).

Kaplan and Norton thought that measuring financial performance is not enough and affected the companies' ability to create value. These companies must also concern itself with issues relating to the customer, internal processes and commercial matters relating to staff and stakeholders can effectively contribute to the assessment of organizational performance. Huang and Lin (2006) examined the performance system of five commercial banks in China. Through investigations and evaluations of the current performance systems of the sample banks, the authors were able to design a new performance evaluation system based on the BSC. The BSC gradually gained popularity in the USA, Europe, Australia, and Latin America (Janota, 2008).

During 2016, there is a research about financial performance on First Private Bank in Myanmar done by MBF student. That study was focused more on the financial performance measures in terms of ratio and analysis. However, this paper was focusing not only on financial aspects but also more on the overall performance of FPB by using BSC.

1.2 Objectives of the study

The objectives of the study are as follow:

(1) To identify the performance management practices of First Private Bank.

(2) To analyze the performance management of First Private Bank by using Balance Score Card.

1.3 Scope, Method and Limitation of the study

Among 30 Private banks in Myanmar, this study was focusing on the First Private Bank. The descriptive statistic method has been used to access the fundamentals of performance management and measurement practices of First Private Bank. Primary data were discussed with responsible personnel from Financial Institution Department and others department such as Transaction Banking Department, Talent Management Department, Customer Service Department from First Private Bank by conducting in-depth personal interview and general field observations. Secondary data were also being collected from profile and published information from the YSX and other relevant articles and textbooks. Collected data and information has been analyzed by using appropriate financial and non-financial ratios based on the Balanced Scorecard of performance measurement.

1.4 Organization of the study

This study is organized into five chapters. Chapter I is comprised of introduction, rationale of the study, objective of the study, scope and method of the study and organization of the study. Chapter II is about the nature and characteristics of banking, performance measurement, theoretical background of performance measurement as a tool of Balanced Scorecard and linking. Chapter III is the profile of

First Private Bank limited and identifies the current management conduct. Chapter IV is the analysis of performance management of First Private Bank Limited. Chapter V is the part of the findings, recommendations and suggestion of the study.

CHAPTER II
THEORETICAL BACKGROUND OF PERFORMANCE MANAGEMENT

This chapter focuses on the theoretical background to serve as the framework for the study and begins with the theory regarding the identified concepts of the study. In addition, this chapter includes definitions of performance management, importance of performance management in banking sector, financial and non-financial measures and measuring performance management by Balance Scorecard.

2.1 Nature and Characteristics of Banking

In order to clearly differentiate banks versus other nonfinancial institutions, a bank is a financial institution that provides banking and other financial services to their customers. A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans. There are also nonbanking institutions that provide certain banking services without meeting the legal definition of a bank. Banks are a subset of the financial services industry. Almost in any country, banks represent main pillar of financial stability. Beside financial intermediaries, banks play an important rule as national financial institutions which in every day of its activities deal with humans. (Geneva Conference, 1987)

A banking system also referred as a system which provide and offer cash management services for customers, reporting the transactions of their accounts and portfolios throughout the day, trade with financial and bank's financial instruments, offer exchange of currency and disburse different type of fund. The Banks are the main participants of the financial system in any country. The Banking sector offers several facilities and opportunities to their customers. All the banks safeguard the money and valuables and provide loans, credit, and payment services, such as checking accounts, money orders, and cashier's checks. The banks also offer investment and insurance products. As a variety of models for cooperation and integration among finance industries have emerged, some of the traditional distinctions between banks, insurance companies, and securities firms have diminished. In spite of these changes, banks continue to maintain and perform their primary role accepting deposits and lending funds from these deposits. On the other side, main advantages which differentiate bank from any other institutions, banks are offering and deliver payment system domestically and internationally. This advantages other institutions are not able to perform. Next fields are covering general banking activities:

Banks take deposits and give the loans as financial instruments. Besides giving a loans and taking the deposits, banks can be differentiate from another financial institutions because they are only institution which can provide transaction accounts. Accounts can be opened for the retail clients, SME clients (small and medium clients) and for the corporate clients or enterprise clients. Deponents deposit their funds in the banks and latter those funds will be used for the dispersion and creation of other loan and financial instruments. Banks are institutions which provide and hold liquidity sustainable flow for all other financial and non-financial institutions. Best and easiest way to understand banking system and how is it working through the mere example of taking big funds as deposits from the “big guy” companies, and later on disbursed them to the retail clients into smaller loans and financing instruments. Differences between prices are considered as profit margin to the banks. Banks at the same time represent transitional lawyer for the monetary politics. Through the monitoring and controlling of the banks, central bank can sustain and provide impact on countries financial situations.

A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. A bank is the connection between customers that have capital deficits and customers with capital surpluses. Due to their influence within a financial system and an economy, banks are generally highly regulated in most countries. Most banks operate under a system known as fractional reserve banking where they hold only a small reserve of the funds deposited and lend out the rest for profit. They are generally subject to minimum capital requirements which are based on an international set of capital standards, known as the Basel.

As it stated above, Banks act as payment agents by conducting checking or current accounts for customers, paying checks drawn by customers on the bank, and collecting checks deposited to customers’ current accounts. Banks also enable customer payments via other payment methods such as Automated Clearing House (ACH), Wire transfers or telegraphic transfer, EFTPOS (POS terminal devices), and automated teller machine (ATM). Banks borrow money by accepting funds deposited on current accounts, by accepting term deposits, and by issuing debt securities such as banknotes and bonds. Banks lend money by making advances to customers on current accounts, by making installment loans, and by investing in marketable debt securities and other forms of money lending. Bank uses different channels of distribution such as: Automated Teller Machines, a branch is a retail location, Offices (smaller unite that the branch), Call center, Mail, Agents, Sales Forces, Internet banking, Mobile banking, Relationship Managers, Telephone banking, Video banking and others.

2.2 Definition of Performance Management

Performance management is a set of actions and assessments that ensure the company is being effective and efficient in the process of achieving its goals. Performance management systems are the “Achilles’ heel” of human resources management, which typically include (a) Performance appraisal and (b) employee development.

Armstrong (2001: 469) suggests that performance management has a number of aims: Performance management is about getting favorable outcomes from the institute, teams and individuals by understanding and organizing performance within an agreed framework of already set goals, standards and competing requirements. It is a course of action for developing shared understanding about what and how is to be achieved, and an approach to organization and developing people in a way which increases the probability that it will be achieved in the short and long term.

Key attributes of performance management includes (i) owned and managed by management, (ii) long run goals, looking forward, constant, integrated, management by agreement, (iii) focus on individuals growth, practical and effective, qualitative phase of performance. (Rosario, Longo: 2011)

In the early 1990s, the business world brought a holistic approach to the concept of performance. It's recognized as the balanced scorecard and it was an important turning point for performance management. The balanced scorecard is a worldwide accepted management accounting tool which proposed that non-financial performance measurements should also be measured with financial performance measurements, so institutional performance is measured in a multi-dimensional way which results in a better focusing on the institution's strategies. The Balanced Scorecard considers the value of intangible assets along with tangible ones and enables performance management system to reach its aims. (Kaplan and Norton, 2004) The BSC turns an organization's visions and strategies into actions. Through the Balanced Scorecards, institutional strategies are adopted by other organizations and the institution's internal integrity is ensured. The BSC turn the strategies set by top managers into explicit, clear and focused strategy.

2.3 Importance of performance Management

Performance Management Practices is now modified as performance management study. It plays an important role in the development of an organization and performance management is a critical business tool in interpreting strategy into results. Results in terms of staff members believe in and support, employee motivation, employee loyalty and organizational success within banking sector of Pakistan.

Performance management system has a direct impact on five critical organizational outcomes: financial performance, product or service quality, productivity, customer satisfaction, and employee job contentment. The effectiveness of the performance management is recognized as the achievement of both financial and non-financial objectives, the development of skills and abilities, and the Improvement of customer care and quality of process (de Waal, 2007, p. 120). Skills and abilities of employees are improved by the provision of training and development as performance appraisal clarify the areas where one needs improvement and appreciating areas of remarkable performance by rewarding them. Selection of Performance Appraisal systems is the key part of the performance Management. A company might have a world-class performance management system in place, but the system is only as effective when it is implemented effectively by managers. Organizations that want to increase organizational and employee performance and productivity should invest in getting the right managers in place and support them in engaging their employees at the right time. It also helps management to ensure progress towards strategic goals (Langfield-Smith, 1997). As performance management helps in fulfilling strategic goals thus organization moves ahead directed towards its success and prosperity. Individuals to see their part in the wider enterprise they start identifying themselves with organization with greater job clarity and responsibilities (Williams, 1998). When employees get motivated, obvious about their job responsibilities, task and sure about progression opportunities they work hard for organization's success. Organization should present true and fair image of performance appraisal to build trust, confidence and support of the employee toward organization, their loyalty and job satisfaction are the foremost fundamentals of any organizational success (Robinson& Rousseau, 1994). Truthful appraisal can reduce inequalities, injustice and corruption employees be sure that if they will work hard, will be rewarded and they will get motivated thus enhance production of an organization. "Performance appraisal is an organizational coordination that includes planned processes for shaping staff activities so that staff value effectiveness and efficiency can be (Winston & Creamer, 1997).

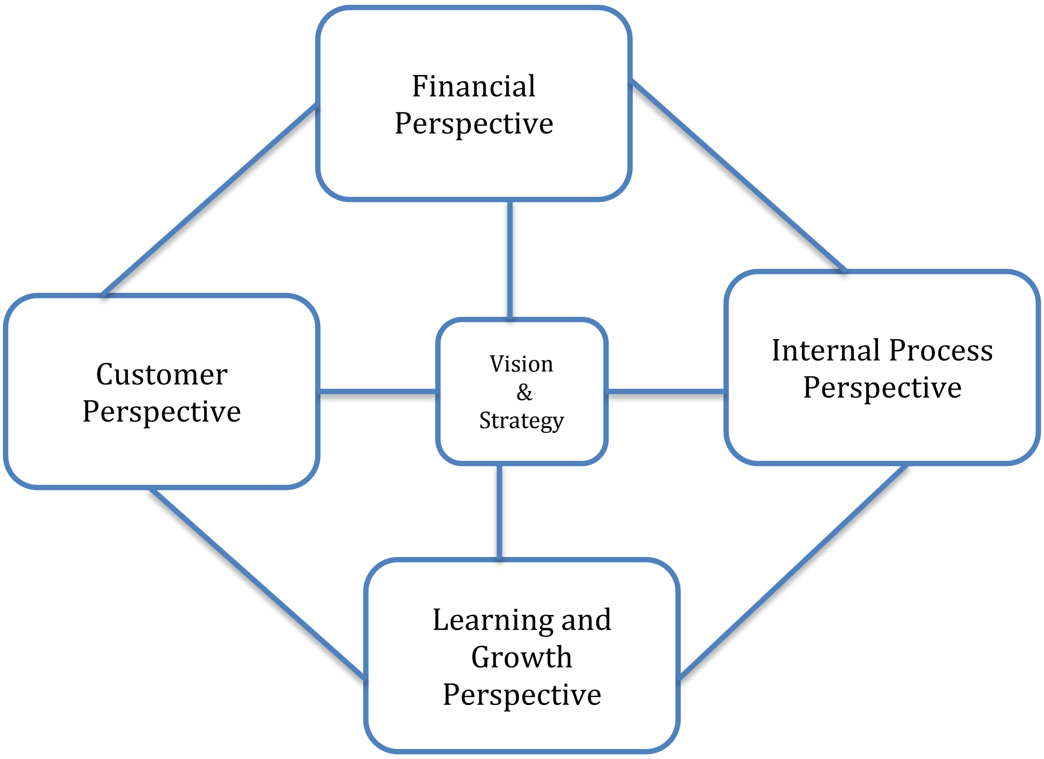
Organizations get to know the importance of performance appraisal as they evident the enhanced productivity of employees of all big multinational companies that they have implemented the performance appraisal and the importance of performance management and its measurement has been cleared by different viewpoints (Whitney, 1994).

2.4 Performance Measurement by Balance Scorecard

In 1992, Robert S. Kaplan and David P. Norton introduced the balanced scorecard, a set of measures that allow for a holistic integrated view of business performance. The scorecard was originally created to supplement "traditional financial measures with criteria that measured performance from three additional perspectives those of customers, internal business process, and learning and growth" (Kaplan and Norton 1996). In order to understand the balanced scorecard, a diagram is included into four perspectives.

Perspectives of the Balanced Scorecard: The Balance Score Card is comprised of four dimensions namely; Customer Perspective, Internal business process perspective, Innovation and Learning perspective and Financial perspective. The first three dimensions, enable the tool provide leading measure of performance while the last dimension a lagging measure of performance.

Figure (2.1) Balanced Scorecard Model



Sources: Robert S. Kaplan and David P. Norton (1992).

2.4.1 Learning and Growth Perspectives

The learning and growth Perspective is the importance of innovation and learning in their statement that, "a company's ability to innovate, improve and learn ties directly to the company's value." While the financials perspective deals with the projected value of the company, the innovation and learning perspective sets measures that help the company compete in a changing business environment. Their focus for this innovation is in the formation of new or the improvement of existing products and processes.

2.4.2 Internal Business Process Perspective

The business processes perspective is primarily an analysis of the organization's internal processes. Internal business processes are the mechanisms through which organizational performance expectations are achieved. Customer-based measures are important, but they must be translated into measures of what the organization must do internally to meet its customers' expectations. This perspective focuses on the internal business results that lead to financial success and satisfied customers. Therefore, managers need to focus on those critical internal operations that enable them to satisfy customer needs (Kaplan & Norton, 1992). Organizations should decide at what processes and competencies they must excel and specify measures for each. Key internal processes are monitored to ensure that outcomes will be satisfactory. The measures should also link top management's judgment about key internal processes and competencies to the action taken by individuals that affect overall corporate objectives. Further (Kaplan & Norton, 1996) notes that these linkage ensures that employees at lower levels in the organization have clear targets for actions, decisions and improvement activities that will contribute to the organization's overall mission customer and internal business process measures identify the parameters that the organization considers most important for competitive success.

2.4.3 Customer perspective

This Customer perspective captures the ability of the organization to provide quality goods and services, the effectiveness of their delivery, and overall customer services and satisfaction. To this effect, many organizations today have a mission, focused on the customer and measuring how an organization is performing from its customers' perspective has become a priority for top management (Kaplan & Norton, 1992). The BSC demands that managers translate their general mission statement on customer service into specific measures that also reflect the factors that really matter to customers. In a public organization model, the principal driver of performance is different from in the strictly commercial environment; namely, customer and stakeholder interests take prominence over financial results. In general, many public organizations have a different, perhaps greater, stewardship responsibility and focus than private sector entities.

2.4.4 Financial Perspectives

Financial performance measures indicate whether the organization's strategy, implementation and execution are contributing to bottom-line improvement. It shows the results of the strategic choices made in the other perspectives. By making fundamental improvements in their operations, the financial numbers will take care of themselves, according to Kaplan & Norton (1992). In the public arena, the "financial" perspective differs from that of the traditional private sector. Private sector financial objectives generally represent clear long-range targets for profit-seeking organizations, operating in a purely commercial environment PEA (1998). Financial considerations for public organizations should be measured by how effectively and efficiently they meet the needs of their constituencies. (i.e. the ability to deliver maximum value to the customer).

Balance Scorecard usage in Financial Institutions.

Earlier studies focus on different points of performance measurements. For instance, Bikker (2010) studied on how well financial institutions perform in providing their services to customers and businesses. Moneva et al, (2010) evaluated the significance of the link between corporate environmental and financial performance in order to see the contribution of those performances to the success. Their results present the idea that higher rates of environmental performance provide a better financial performance. Additionally, service performance is one of the important indicators of performance management in earlier studies. Many researchers concur that service quality is important for strategic performance management (Parasuraman et al., 1985; Carman, 1990; Bolton and Drew, 1991).

Firdaus et al (2011) suggest the following three dimensions of service quality: systemization, reliable communication and responsiveness. Moreover, there are also studies considering the size of banks as a main indicator for performance measurement. Al-Tamimi (2011) finds out that large banks perform better than small banks, so the most important performance indicator of that study is the bank size. Furthermore, in earlier studies researchers provide evidence to the importance of performance management and measurement to perform more successfully (Epstein & Westbrook, 2001; Wisner, Epstein, & Bagozzi, 2006; Davila, Epstein, &Shelton, 2006). (Deville at al., 2014) studied on performance measurement in hierarchical organizations.

Differently, there are studies showing how to implement performance measurement systems in public sector. They also present how managers use the contractibility system (Speklé, 2014). In earlier years, a lot of industry, commerce and business service sectors started to use the BSC in different countries. Earlier studies show that there are interests on implementation of Balanced Scorecard in companies (Barnabe & Busco, 2012; Kraus & Lind, 2010; Malina, Norreklit & Selto, 2007; Norreklit, Mitchell, & Bjomenak, 2012; Salterio, 2012). This new trend is especially popular for performance management process in banks.

In this study, with the Balanced Scorecards, performance measurement and management is conceptually examined. Managers are required to fulfill their control function by determining the performance targets, measuring performance, comparing achieved performance with determined targets, calculating the difference of achieved performance with determined targets, and making a move by eliminating those differences. Performance measurement system should be designed to work with organizational structures and activities within the hierarchy. If performance measurement systems are going to be successful, managers should consider that as an essential part of their obligation. It should not be forgotten that the main goal of measuring performance is to increase performance.

(Parker, 2000) states that performance criteria should be clear, reliable and healthy, as well as easily understood by everyone. So, the system must be designed clearly and simply, so it can be understood easily to see if the targeted performance is reached or not. At the BSC, the performance criteria associated with each other are grouped using multiple dimensions. The BSC should include financial and non-financial criteria in a single report and in a "balanced" way. Therefore, when measuring corporate performance, a balanced weight is given to performance criteria in all the dimensions of Balanced Scorecards (Horngren, Datar & Foster, 2003). The BSC developed by Kaplan and Norton (1992), it originally has four main performance perspectives. Those performance perspectives are financial perspective, process perspective, customer perspective, and learning and growth perspective. These four perspectives of the BSC are used in most of the organizations. However, some other organizations use differently numbered and named perspectives because of the structure of the organization structure, presented product or services features. Nowadays, however, the opportunities to see the strength, speed of learning, innovation, quality, flexibility, reliability and accountability have become very important elements. Therefore, performance measurement and administration systems should be formed by considering innovations. Performance criteria can be divided into financial and non-financial. While assessing and deciding, administrators use indicators which are usually easy to measure and measuring system is already installed. The managers who usually focus on financial criteria neglect some important dimensions that are not easy to measure, but greatly affect the performance of the institution.

CHAPTER III

PROFILE OF FIRST PRIVATE BANK (FPB)

This chapter contains the background of First Private Bank, Mission, Brand Promise, and business strategy, branches of FPB, Products and Services, Performance Management Practices in FPB and Performance Measurement Indicators of FPB Bank.

3.1 Background of Myanmar Banks

Today, there are 28 domestic banks operating in Myanmar. This number includes four state-owned banks, three banks owned by municipal governments, 10 semi-private banks that trade privately but are partially owned by, or closely associated with, government agencies, and 14 privately owned banks. Table 2 lists the country's banks by category, while Box A below provides brief descriptions of several major banks.

Among the privately owned banks, the so-called "Big Three" dominate the market. Combined, Kanbawza Bank (KBZ), Ayeyarwady Bank (AYA), and Co-operative Bank (CB) control about two-thirds of all loans, two-thirds of all deposits, and more than 50 percent of all bank branches in the country.13 The Big Three are also expanding more rapidly than smaller banks, adding 60 new branches as a group between August 2014 and May 2016, compared to only seven new branches for the rest of the banking industry combined.14 Although banking-sector concentration is typical in ASEAN, the limited absolute size of Myanmar's overall banking market makes it difficult for the country's smaller banks to become competitive.

The four state-owned banks are Myanmar Economic Bank, Myanmar Foreign Trade Bank, Myanmar Investment and Commercial Bank, and Myanmar Agricultural Development Bank. While distinct in their operational scope and policy mandates, these banks have several challenges in common.15 First, they lack transparency and often fail to report financial performance data. Second, their policy mandates appear to be outdated or unclear. Additionally, as is also the case with their privately owned competitors, state-owned banks require major investments in information technology and human capital.13 Privately owned banks buy and invest in land, leading to a concentration of branches of the same bank in a single area.

3.1.1 The Four State-Owned Banks

Of the four state-owned banks, the Myanmar Economic Bank (MEB) has the widest potential reach to extend credit to the real economy, including in many rural communities. With around 9,000 staff across about 350 branches, the MEB provides a wide range of commercial banking services.16 However, loans to the private sector account for less than 10 percent of the bank's total assets. The MEB mainly buys government treasuries and acts as a financier for state economic enterprises, including the Myanmar Agricultural Development Bank, often at discounted rates. A 2013 audit concluded unsurprisingly, but dramatically, that the MEB has been losing money since as early as 1990.

The Myanmar Investment and Commercial Bank (MICB) and Myanmar Foreign Trade Bank (MFTB) previously controlled much of the foreign exchange market by rationing forex supplies and playing a supervisory role in forex trading. The two banks now act mainly as vehicles for the foreign exchange deposits of government departments and state-owned enterprises. Both also, though, provide financial services to the private sector, including domestic commercial and investment banking services.

The Myanmar Agricultural Development Bank (MADB) serves rural areas through providing short- and long-term credit for agricultural, livestock, and other rural enterprises. Altogether, the bank has close to 2 million clients, served by about 2,500 staff across 230 branches.17 However, the MADB has been described as being in "perhaps the worst shape of all the state-owned institutions," mainly due to its concentration in only a few crops and its artificially narrow interest rate margins.18 The MADB's role in agricultural finance is explored further in Section 3 below.

3.1.2 The "Big Four" Privately Owned Banks

KBZ Bank, established in 1994, is the largest bank in Myanmar by far, with assets of around US$8 billion, three times larger than the next biggest bank, and with nearly twice the number of branches and employees as any private competitor. KBZ was also the first bank to issue its own branded credit card after the central bank authorized their reintroduction. AYA Bank is the second-largest private bank. It is the first to be compliant with International Financial Reporting Standards and is the first to be audited by one of the four major global accounting firms. The third largest bank, CB Bank, resulted from a merger of three state-owned cooperative banks, managed at the time by the Ministry of Cooperatives. There are no longer any formal ties between the government and CB Bank, but informal ties through leadership and staffing remain.

Although not comparable to “Big Three” banks in terms of size, Yoma Bank plays a key role in expanding access to finance in Myanmar. It was the second biggest private bank before the 2003 banking crisis, but after the crisis, Yoma’s license was restricted such that the bank was only allowed to provide remittance services. In 2012, Yoma recovered its full banking license and is now seen as one of Myanmar’s most internationally integrated financial institutions.

Yoma focuses on serving small- and medium-sized enterprises (SMEs) and has worked with the International Finance Corporation to extend new loans to SMEs as well as partnered with Telenor, a Norwegian telecommunications company, to develop mobile money products.

3.2 Profile of First Private Bank

Firstly, FPB was granted the Money Changer License No.CBM FEMD 8/2012 granted by CBM on 24th October 2011. It has opened money exchange counters at Head Office Yangon, Bayint Naung, Mandalay ,Monywa, Pyay, Kyaukpadaung, Pakokku, Magwe, Dawei, Myeik, Kawthaung, Aung Ban, Mawlamyaing,Kalay, Taunggyi, Loikaw, Thiriyadanar, Mandalay 30thstreet, Hpa An, Minhla branches and Thingangyun mini branch.

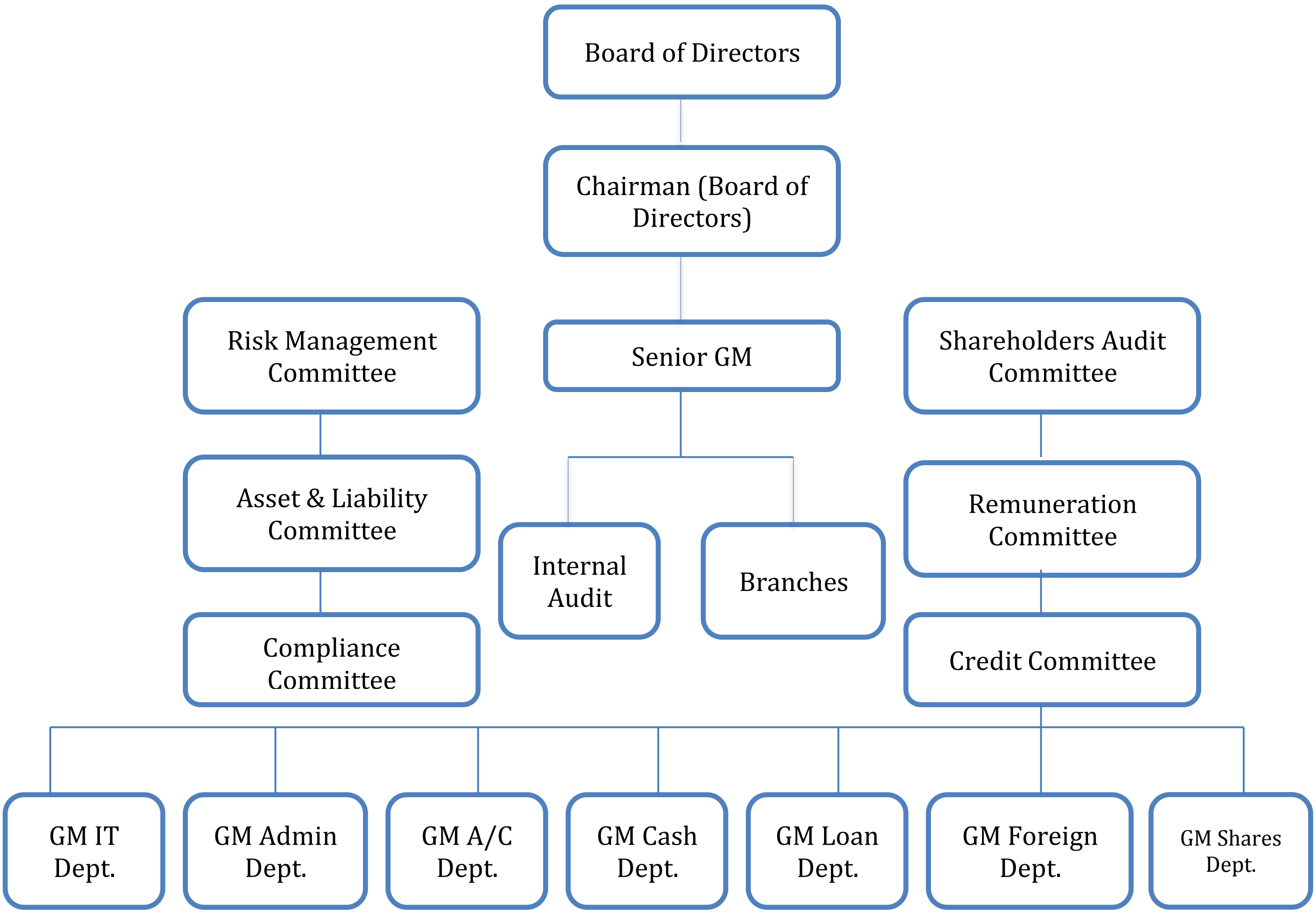
On 24th August 2012, FPB was granted the Foreign Exchange Authorized Dealer License No. CBM FEMD 93/2012 by the CBM and it started Foreign Banking on 2-10-2012. It became a member of the Society for Worldwide Interbank Financial Telecommunication (SWIFT). It has established correspondence Bank relationship with UOB (Singapore), OCBC (Singapore, Hongkong, Shanghai, Bangkok, Korea), May Bank (Malaysia), First Commercial Bank (Taiwan), ICBC (Taiwan), United Bank of India, Bank of Ayudhya (Thailand), Bank Asia (Bangladesh), E-Sun Bank (Taiwan), Krung Thai (Thailand), Sumitomo Mitsui Banking Corporation (Japan), Cathy United Bank (Taiwan), Busan Bank (Korea).

By connecting with correspondent banks, we are currently providing Foreign Currency current account opening, Export/Import LC, Telegraphic Transfer (TT) Account transfer and Foreign Exchange transaction activities to our customers. FPB was granted to be listed on the Yangon Stock Exchange on 30th December 2016.

3.3 The Organization Structure of First Private Bank

The organization chart of the First Private Bank is presented in Figure 3.1. The followings are the organization of First Private Bank.

Figure 3.1 Organization Structure of First Private Bank



Source: First Private Bank (Statement of Disclosure)

The number of Directors shall not be less than fifteen or more than twenty-one, including Chairman. A full time Chairman shall be elected by the directors for such periods as the Board may determine. The Chairman shall devote his full time attention to the affairs of the Bank, and also receive from the Bank such as salary and allowances and the subject to the terms and conditions of services as may be determined by the board from time to time. First Private Bank board of directors consist of 16 members and 4 independent Advisors. All directors are elected by shareholders at annual general meeting which is held annually.

3.4 Type of Services Provided by First Private Bank

FPB has different types of banking for different types of customers. They are retail banking, corporate banking and international banking. Retail Banking: FPB delivers retail banking services to individual customers through various banking channels. FPB customer-base includes mass-market individuals who need basic banking services as well as high net-worth individuals who require more sophisticated services. FPB retail banking services include saving deposits, credit and debit cards, consumer financing (housing loans, car loan, and installment loans) and insurance. The banking channels are composed of branches, ATMs, mobile and internet banking, mobile banking agents, call centers and foreign current exchange counters. FPB is exploring on the efficient banking channels and services for the convenience of customers.

Corporate Banking: FPB supports two major groups of clients: large corporates and SMEs (small and medium enterprises) business. Large Corporates banking sector takes care of local and foreign corporates to help them expand business operations, manage risks, optimize liquidity, cash flow as well as capital increment. It is well supported by the other business divisions such as treasury, transaction banking, international trade, corporate advisory and finance. FPB Bank work very closely with foreign partner banks for correspondence banking set up.

SME Banking: It supports small and medium enterprises which make up about 90% of all business in Myanmar. FPB provides financial solutions to help them grow their businesses. FPB receives technical support from international agencies such as JICA, KfW to support SME clients.

Domestic and international financial services offered by FPB are as follows:

Saving, Current and Time Deposit : FPB is giving 8% on deposit. 8.25% on saving and ATM deposit, 9% on one month Term Deposit, 9.25% on three month Term deposit, 9.5% on six months term deposit, 9.75% on nine months Term deposit and 10% on one year Term deposit.

Overdraft: Overdraft shall be opening bank account. It shall be a kind of loan permitted by bank to be borrowed more than the amount in the current account of customer. Loan period is for one year (short term) from the date of issue. FPB's overdraft interest rate is 12% and the management fee is 1% per annum.

Demand Loans: It shall be for the customer belongs to current account. It is a kind of loan suitable for profitable projects/plans in period limitation. As it is a kind of loan to be paid back for claim, capital shall be paid back in full on the date prescribed. Regular interest is calculated by fixed rate upon permitted amount monthly, or every 3 months even withdrawn the amount granted by in a lump or not, or withdrawn a piece of it. CB Bank’s demand loan interest is 13% per annum.

Hire Purchase: Hire purchase finance scheme is retail loan product, enabling the customers to purchase consumer goods, vehicles, agricultural farm equipment etc. with bank finance. After loan documents execution, bank credit 80% of the product value to the dealer account and remaining 20% value of product will be transferred from customer account to dealer account.

Trade Financing: Trade financing is a product, which applies to the customers of Import/Export connection with bank. Trade finance can be approved not only the lands and building but also the save pass book by giving as collateral. FPB serves the trade finance facility with 3 kinds of services. Those are (i) Import LC loan (ii) Export packing credit (iii) Trust receipt loan.

Performance Guarantee Financing: Bid bond guarantee and performance guarantee is performed by giving 100% cash collateral for performing bid agreement of customer’s business and business contract according to government organization (or) company requested in FPB.

Remittance Services: To facilitate fast and secure transfer of funds, FPB offers international remittance service to students going abroad for the education, patients going abroad for medical treatment/check-ups, foreigners and those working overseas. It briefly can be categorized as two; Inward Remittance and Outward Remittance. Inward includes worker’s remittance, paid up capital, inward shareholder loan for coporates, western union (Inbound).

Foreign Exchange Group: FPB offers foreign exchange service in accordance with the rules and regulations of the Central Bank Myanmar. Customers can exchange the designated foreign currencies against the Myanmar kyat and or against each other at our exchange counter in our following branches during the banking hours (9:30 am – 3:00 pm). Tourists, study abroad students, importers and exporters, foreigners can use our foreign exchange service widely. The currency includes, MMK, USD, Euro, Singapore Dollar, Malaysia Ringgit and Thai Baht.

3.5 Indicators of Measuring Performance of FPB

The key financial performance measurement indicators are used by FPB. The primary source of financial information are come from Annual audited report of FPB. AS a publicly listed company, FPB is subject to strict requirements concerning financial reporting with respect to compliance with Myanmar Financial Reporting Standard (MFRSs) and based on historical cost conversion. Therefore, financial information are reliable, transparent, consistent and timely reporting of financial performance enhances shareholders' and other stakeholders' confidence in FPB and provide equal opportunity to act on such information. Indicators of Financial Perspectives: The financial perspective considers whether the organization meets the expectations of its shareholders and how it creates value for them. The following financial ratios are as follow: Liquidity ratio, cash ratio, EPS, ROE, etc.

Board of Directors determines the key non-financial performance measurement indicators and Respective Department Manager based on the company current and market condition of banking industry and operation in Myanmar banking industry. Non-financial performance indicators are customer perspectives, Internal business process and learning and growth perspectives. Customer perspectives: new customer acquisition per year and customer retention rate. The Customer Retention measures the ability of your organization to retain customers over the long term and to generate recurring revenue from existing customers. Internal Business Process Perspectives: the perspective aims to improve internal processes and decision-making. Indicators of Internal business process perspective are speed in processing loan application, KPI measures how long it takes on average to do trade financing as each corporate loans will have different assessment time and may vary quite a bit. Learning and growth perspectives are investment rate in information and technology and systems, training provided by FPB, percent growth in number of policies per year and growth in number of branches per year.

3.6 Performance Management Practices in FPB

FPB is the growing bank in terms of efficiency and effectiveness. The company works towards the achievement of sustainable development by working with its stakeholders in the bid to treat closer to achievement of these goals. The characteristics of the company are meant for overall excellence of the company by working as team, ensuring integrity, caring for its customers with honesty and sincerity.

In the conventional methods there are mixtures of systems to measure the performance measurement of FPB Bank. The traditional methods of measurement include Performance Ranking Method, Easy Evaluation Method and Key Performance Indicators.

Performance Ranking Method

The standing system is performance ranking method in which assessor rank the performance of department from best to worst not with the standards that has been set earlier or benchmark but it compares department to department.

Easy Evaluation Method

In Esay Evaluation Method is a qualitative measure to appraise the employees asks the managers, supervisor and evaluators to write an essay or a descriptive note about the strength and weakness and also the overall behavior of the employees towards the job.

Key Performance Indicators

Presently, performance management systems such as Return on Equity (ROE), Return in Investment (ROI) and Earning per share (EPS) are being used to measure the performance of FPB which largely measure cost efficiency and effectiveness. These systems are more in tune with the shareholders' requirements of good financial performance of the organization The risk-adjusted capital adequacy guidelines, poor profitability over long term, and conceptual and practical failure of measures such as asset growth often lead bank management to focus on ROE as the ultimate performance scorecard. The performance of a bank was considered to be good if it earned huge profits. This result was not indicative of what would be the future position of the bank. In the context of a globalized setup, the usefulness of such methods is limited. The use of financial measures alone has serious limitations because of their inherently backward-looking nature, their limited ability to measure operational performance and their tendency to focus on the short-term. The profit based performance measures do not take into account the processes and quality improvements brought about by a bank and as seen by a customer. To ensure long term success, FPB bank must adopt new methods and technologies. Instead of concentrating only on profits by cost management, FPB need to bring about process and product changes which add value to their service thus making them sustainable in the long run. An organization's performance must reflect the value it has added to its stakeholders in the form of improvements in processes, products and services.

FPB is assessing its performance and determines whether it is on track in relation to achieving its strategic goals. Through the appraisal system, managers are able to identify their high flyers and reward them appropriately. It also helps managers to focus their energies on their best people in order to drive results and manage non-performance by identifying gaps in staff skills and taking appropriate actions to address them. The bank's appraisal system is lined to its bonus system in order to reward and sanction non-performance. To bring banking services to the doorsteps of its customers requires that the bank invest heavily in building branches across the length and breadth of the country and also increase the availability of banking service through the deployment of complementary channels like ATMs. FPB has currently not implemented the balanced scorecard yet, even though it has plans to do so in the near future as stated by the financial controller. Nonetheless, the financial controller still attests to the fact that the various perspectives under the balanced scorecard plays significant role in assessing organizational strategic performance. Since considering both financial and non-financial perspectives will give a balanced view and a true organizational performance and long terms sustainability.

3.7 Performance Measurement Indicators of FPB

The key financial performance measurement indicators are used by FPB. The primary source of financial information is come from Annual Report of FPB. FPB is subject to restrict requirements concerning financial reporting with respect to compliance with Myanmar Financial Reporting Standards (MFRs), International Financial Reporting Standards (IFRSs) and guidance provided by the Central Bank of Myanmar ("CBM"). Therefore, financial information is reliable, transparent, consistent and timely reporting reporting of financial performance enhances shareholders' and stakeholders' confidence in FPB and provides equal opportunity to act on such information. Indicators of Financial Perspectives: The financial perspective considers whether the organization meets the expectation of its shareholders and how it creates value for them. There are Liquidity Ratio, Capital Adequacy Ratio and Return on Equity.

The key non-financial performance measurement indicators are determined by Board of Directors and Respective Department Manager based on company current market condition of banking industry and operation in that country. Non-Financial performance indicators are collected from the bank's customer through interview and secondary data. Internal Business Process Perspectives: the perspective aims to improve internal processes and decision-making. Indicators of Internal Business Process Perspective are growth in number of new products and increase in number of branches per year. Learning and Growth Perspectives are investment rate in information and technology and systems and training provided by FPB.

CHAPTER IV

ANALYSIS ON PERFORMANCE MEASUREMENT OF FIRST PRIVATE BANK

In this chapter, detail discussions and analysis of the study findings are presented. The financial and non-financial performance evaluation obtained by thoroughly analyzing the company's financial statements and annual report. Each financial and non-financial performance indicator are presented independently in a graph or table. The analysis is presented in the following sequence: firstly Learning and Growth, Internal Business Process, Customer Satisfaction and finally Financial Perspectives according to Balanced Scorecard. The analysis is only comparison among financial year 2017 to 2019.

4.1 Research Design

The second objective of the study was to analyze the performance management of FPB. The following section will present an analysis on the basis of the responses given during interview involved in the study. Many of the claimed benefits of the balanced scorecard (BSC) rely on the linkage of its performance measurement and on causal relations among its measures. The view that balanced scorecard is effective as a performance measurement tool was established in the analysis. In this study, performance management of FPB are measured by balanced score card with four perspectives: learning and growth, internal processes, customer and financial.

This study investigates to identify the performance management practices of FPB and analyze the employees and customer's perceptions on performance management. To support this analysis, the required data were collected through sample survey. Structure questionnaires are used as survey instrument. The questionnaires instrument includes two sections for employees and three sections for customers.

4.2 Demographic Characteristic of Respondents

This section covers demographic and background characteristics of respondents the data on the socio-cultural factors are also presented in this study. In this section, data on demographic characteristics such as age, gender, education and average monthly income are presented based on survey data. All the data obtained from the questionnaire collected are interpreted and summarized in frequency distribution and percentage distribution. The frequency analyses of employees' and customers' demographic data are illustrated in pie chart in this chapter while the frequency table is show the count of frequency and their percentages.

Table 4.1 No. of Employees by Gender, Age Group, Education, Monthly Income level, Occupational Status

Gender	No. of Respondents	Percent
Male	35	35%
Female	65	65%
Age (in Year)	**No. of Respondents**	**Percent**
under 25	41	41%
between 26 & 35	49	49%
between 36 &45	10	10%
Education	**No. of Respondents**	**Percent**
Bachelor	92	92%
Master	8	8%
Marital Status	**No. of Respondents**	**Percent**
Single	19	19%
Married	81	81%
Position	**No. of Respondents**	**Percent**
Manager	5	5%
Executive	3	3%
Supervisor	8	8%
Staff	84	84%
Salary	**No. of Respondents**	**Percent**
200000 - 400000 MMK	92	92%
400000-600000MMK	5	5%
600000-800000	2	2%
More then 800,000MMK	1	1%
Service Year	**No. of Respondents**	**Percent**
less than a year	60	60%
1 year -2 years	33	33%
2 years -3years	4	4%
3-4years	2	2%
4-5years	1	1%

According to table 4.1, 35% employees are male while 65% employees are female. Therefore, female employees are more than male employees at bank through survey results. The age groups are divided into 3 sub group. The results show that 41% are under age 25 and 49% are between 26 to 35 while remaining 10% are more than 35. It is found that 92% employees hold bachelor degree and remaining 8% holds the master degree with 81% are married and only 19% are single. Majority of more than 80% are staff at the bank with 92% employees are under income range of MMK 200,000 to MMK 400,000.

Table 4.2 No. of Customers by Gender, Age Group, Education, Monthly Income level, Occupational Status

Gender	**No. of Respondents**	**Percent**
Male	25	25%
Female	75	75%
Age (in Year)	**No. of Respondents**	**Percent**
under 25	30	30%
between 26 to 35	50	50%
between 36 to 45	20	20%
Education	**No. of Respondents**	**Percent**
Bachelor	80	80%
Master	20	20%
Marital Status	**No. of Respondents**	**Percent**
Single	60	60%
Married	40	40%

According to the Table 4.2, 25% of FPB's customers are male while 75% are female. Survey results shows 50% of the customers are an adult with the age range of between 25 to 34 while 30% is in under 25 and remaining 20% is in 36 to 45. Most of the customer's educational background is Bachelor degree with 20% holds Master degree. It has bee noted that 60% are still single with remaining 40% are married.

4.3 Learning and Growth Perspectives

Learning and Growth Perspective requires the company to consider how it can continue to improve and create value. Company must seek to acquire new skills and develop new products in order to maintain a competitive position in their respective markets and provide a basis from which the other perspectives of the balanced scorecard can be accomplished. Learning and Growth perspectives are measured by survey conducted to employees at FPB as well as their investment in IT & systems.

4.3.1 Investment In Information Technology and Systems.

First Private Bank is currently carrying out its digital transformation and modernization program so that they can serve our customers and communities better. As part of the program, the bank is in the process of upgrading the core banking system, launching new digital channels, and introducing payment cards and mobile wallet services. Currently, they are running a transformation projects across the banks and branches including upgrading the core banking known as "ICT Investment". ICT investment is the acquisition of equipment and software that is used in production for more than a year. It has three components: information technology equipment (computers and related hardware); communications equipment, treasury system and software. Impact of investment in information technology to improve the internal operations of the company and require information about the internal operations properly, in timely manner and quickly that make the process of carrying ou the operations to be done simply, quickly and accurately. The availability of information technology systems is providing internal management control tool, easy to identify problems and defects and detected to do corrective actions quickly which would reduce the risk of business and increase the efficiency of performance, both at administrative, financial or operational levels.

Table 4.3 Investment in Information Technology and Systems

Financial Year	Computer and Components (Million MMK)	Software and IT (Million MMK)	Total Investment in IT (Million MMK)
2015-2016	**401.845**	**200.92**	**602.765**
2016-2017	**1883.59**	**376.72**	**2259**
2017-2018	**3823**	**1,912**	**5735**

Source: FPB Bank Annual Reports.

According to Table (4.2), investment in electrical equipment and computer accessories amount is Kyat 602million during 2015-2016 and also invest in electrical equipment and computer accessories Kyats 2250 million Kyat during next subsequent year and MMK 5735million respective in FY2017 – 2018. In the past year of Myanmar banking sector, which at present performing the tradition banking system, will need to carry out transformative changes. In the experience of past due to poor information-technology infrastructure, outdated accounting practices and lack of clarity in banking systems were a burden for the citizen of the country. With the new installation of customer relationship management (CRM) software, FPB is now able to better serve their customers with holistic approach. Hence, FPB is seen in spending total of 8,596million at the end of FY2018 over the past 3 years.

4.3.2 Employees Perspective on Training Courses provided by FPB

The aim of the organization’s training policy and educational programs is to ensure a qualified, trained and competent staff, whose presence is necessary in order for the organization to meet its current and future needs. It is assumed that employees will be willing and ready to learn, as well as able to take responsibility for their personal development. FPB provide training to their new and existing employee about the nature of banking; function of different departments and to handle the process of each department. Those are learning from on the job training and off the job training. FPB provide the number of training courses during 2015 to 2018 depend the organization and market requirement.

To know the effectives of learning and growth perspectives of FPB Bank, a survey is conducted and there are seven questions are used to measure. Each statement is measured on five-point like scale. They are 1= Very Dissatisfied, 2 = Dissatisfied, 3 = Neutral, 4 = Satisfied and 5 = Very Satisfied.

Table 4.4 Mean Value of Perception on Learning and Growth

No.	Learning & Growth Perspective	Mean Score
1.	My personal learning objectives have been achieved.	4.04
2.	I felt the courses were the most useful at my work.	3.78
3.	My behavioral skill and attitude have been changed due to the courses.	3.74
4.	I have the confidence to use the knowledge gained from training class in my daily work life.	3.69
5.	The course content was the valuable for my learning.	3.91
6.	I'm able to service the customer better with the knowledge gained from courses.	3.63
7.	The IT trainings enable me to become more efficient in understanding of core banking system.	4.28
Average Mean Score		3.8671

Regarding above table, there are seven factors to measure and according to the survey result, respondents are satisfied with their learning objectives and in average for all questions are ranked as satisfied.

4.4 Internal Business Process Perspective

The internal perspective makes an organization consider what processes it must excel at in order to achieve financial and customer objectives. The perspective aims to improve internal processes and decision-making. Internal Business Process Perspectives are measured by Speed in processing with accuracy, no of new product per year and no of branches per year.

In addition, it also evaluates the nature of individuals and procedures. The point of view alludes to inside business forms which the organization ought to enhance keeping in mind the end goal to accomplish its targets and give clients both fulfillment and profitability. Customary strategies just took a gander at enhancing existing frameworks however the adjusted scorecard can recognize completely new procedures that the business ought to succeed, keeping in mind the end goal to accomplish consumer loyalty. The measures for this must be produced painstakingly as understanding the business procedure is urgent. The measures should concentrate on interior procedures that will have the best effect on consumer loyalty and accomplishing business targets. Potential measures for the inward point of view include are speed in process – (deposit and loan account opening) and number of branches per year.

4.4.1 Number of New Products Per Year

The efficiency of the internal processes of a bank can affect the way to delivers service to their customers. Operational efficiency and effectiveness therefore allows bank to render service to its customers at a lower or reduced cost. It could also be a source of differentiation factor by which the bank can create competitive advantage in its industry. Also, a bank with good internal processes is able to quickly respond to customer queries, respond to customers' needs through new product development with short speed-to-market time frames. FPB also reduces the waiting for the delivery of its services and increase availability of its services to customers through the use of the technology such as ecommerce, internet banking, SMS banking, ATM services, etc.

Table 4.5 Numbers of Products per Year

Financial Year	Numbers of Products
2015-2016	**15**
2016-2017	**18**
2017-2018	**25**

According to Figure 4.3, number of products grew has increased steadily from 15 to 18 in FY2016 and FY2017 and subsequently to 25 in FY2018. FPB was providing customers with easy access for their clients with the launch of new mobile and internet banking. Enhance service features of Internet banking service by providing corporate users with enhanced administrative control and the ability to process bulk scheduled payment. Addition to innovate new product will be allowed depending of performance of FPB.

4.4.2 Customers perception on the new products launch

FPB is getting more and more pressure from customers' increasing demand, highly competitive market. FPB has been able to penetrate the Myanmar financial market by opening more branches across the country. This has provided more citizens with the banking facilities that they could not have access to before. The numerous packages that have been included with the company's innovative ICT system have allowed many customers to be able to enjoy ease of shopping both at physical shops and online an demitting various forms of payments. To measure the customer's perception on the new productes, survey has been conducted to measure on the customer perception on the new products launch by FPB.

Table 4.6 Mean Value of Perception on Internal Business Process

No.	Internal Business Process Perspective	Mean Score
1.	Are you satisfied dealing with FPB's respond about the products upon query?	3.60
2.	Are you satisfied with the turn around and processing time of each product?	3.67
3.	Are you satisfied on quality of products compare with others banks?	3.67
4.	Are you satisfied with the availability of products information on time?	3.60
5.	Are you satisfied with the pricing of products offered by FPB?	3.78
6.	Is the internet banking service of FPB user friendly?	3.95
7.	Are you satisfied with the overall banking services of FPB?	4.00
Average Mean Score		3.7529

According to the Table 4.4, the average score of each statement is greater than 3 which means the customers has positive feeling on the new products launched by FPB. The result on questions shows that, customers are satisfied with pricing, customer service, user friendliness as well as the turnaround time and processing time. Overall mean scores suggest that customers are very satisfied with the new products.

4.5 Customer Perspective

Customer perspectives are the ability of the organization to provide quality goods and services, the effectiveness of their delivery and overall customer services and satisfaction. Difficulties exist in assessing the customer's satisfaction in banking contracts. Unlike commodities and other services, such as transport and insurance, banking customer do not consume the product at one point in time rather they feel the satisfaction of assurance over a period of time through relationship banking. Some of the ways that banks with poor processes and dissatisfied customer can retain their customers will be through low pricing of their products and services, but this is not a sustainable strategy because other banks with efficient internal proceses would easily match up by reducing their cost of operations which may translate intow lower cost for their products and services thereby attracting the customers that are dissatisfied with their banks and are just hanging on because of only the pricing factor.

Therefore, to measure how the customers see the banks, the metrics for customer perspectives are used to measure by new customer acquisition per year and customer retention rate.

4.5.1 New Customer Acquisition

Customer acquisition is the lifeblood of any company and refers to gaining new customers. Acquiring new customer involves persuading consumes to purchase a company's products and services. Some successful customer acquisition strategies include customer referrals, customer loyalty programs. Therefore, customer acquisition management is to consider it the link between adversting and customer relationship management, as it is the critical connection that facilities the acquisition of targeted customers in an effective way. Method of customer acquisition is advertising or marketing to attract new customer and to become brand loyalists. FPB is now used advertising (such as mainly billboard, television, Cherry FM, City FM ect) and marketing (Industrial zone). FPB build customer loyalty with existing customers to provide better product and services.

Table 4.7 Number of New Customer Acquisition

Financial Year	**Retail Banking Customer**	**Corporate Banking Customers**
2015-2016	**1000**	**197**
2016-2017	**1825**	**269**
2017-2018	**2970**	**460**

According to Table 4.5, new customer acquisition is generally segmented into two divisions; Retail banking customer and corporate banking customers. Retail banking customer has increased to 1825 from 1000 in FY2016-2017 followed by 2970 in FY2017-2018.

4.5.2 Survey on Customer Perspectives

For banks to survive and deliver consistent superior financial performance in the areas indicated under the financial perspective above, the banks should have customers that are very satisfied with their products and services or unless those banks enjoy some monopolies where there are no substitutes for their products and services and the switching cost is also very high. To measure how customers see the banks, the metrics for customer perspective are used to measure. Every aspect of service quality includes different number of questions. Each statement is measured on five points like scale. Those are 1 = Very Dissatisfied, 2 = Dissatisfied, 3 = Neutral, 4 = Satisfied and 5 = Very satisfied.

To know the customer perspective of FPB Bank, there are seven questions to measure that. Each question is measured for both customer's expectation and prospection. Customers are required to response to the following seven questions on the quality of FPB Bank. So, the mean value of both expectation and perception for each questions are shown in the following table and figure.

Table 4.8 Customers' Perception on Dimension

No.	Internal Business Process Perspective	Mean Score
1.	Experiences of FPB's staffs about their jobs.	3.72
2.	Efficiency of Telephone Service	3.49
3.	Easily accessibility of ATM machines	3.62
4.	Confident and skills of the staffs	3.81
5.	Accuracy and speedy of FPB's services and transactions	3.93
6.	Knowledge and politeness of employees towards giving services and solving complaints	3.82
7.	Clear communication of updated and related process information whenever necessary.	3.65
Average Mean Score		3.72

Regarding above table, there are seven factors have been surveyed. In this dimension, respondents are most satisfied in the experiences of FPB's staffs about their jobs. Moreover, customers are also satisfied with efficiency and effectiveness of the service provided by FPB. It has good telephone etiquette and experienced staffs so that the bank can provide enough information quickly based on customers' queries. Overall, customers are mostly satisfied.

4.6 Financial Perspective

This perspective analyses whether an organization satisfies the requirements of the shareholders and the ways in which it is able to create value for them. Under financial perspective, the following measures/metrics were considered for FPB are Capital Adequacy Ratio (CAR), Liquidity Ratio and Earnings per share.

4.6.1 Capital Adequacy Ratio

Capital adequacy ratio is the ratio which determines the bank's capacity to meet the time liabilities and other risks such as credit risk, operational risk etc. In the simplest formulation, a bank's capital is the "cushion" for potential losses, and protects the bank's depositors and other lenders. Bank regulators in most countries define and monitor CAR to protect depositors, thereby maintaining confidence in the banking system. It is used to measure the capital of the bank. It is calculated as a percentage of the risk weighted credit exposures of a bank. Equity capital consists of issued and paid up capital, reserve and retained profit. Risk assets weighted (no risk for cash and government bonds, 50% risk for mortgage loan and 100% risk for loan to customers). Its CAR is substantially higher. It is considered less risky because some of its assets are less risky than others. This ratio is used to protect depositors and promote stability and efficiency of financial systems around the world.

Banks are required to maintain the Capital Adequacy Ratio as per instruction of Central Bank of Myanmar. As per instruction of CBM, the bank must need to meet Capital Adequacy Ratio minimum 7%. In relation to the bank's report, the bank has been increasing its performance throughout the half-decade and also expanding its services. Table 4.6 indicates the capital adequacy ratio of FPB which are way above the minimum capital adequacy ratio requirement.

Table 4.6 Capital Adequacy Ratio

Financial Year	Equity Capital (Million MMK)	Total Assets (Million MMK)	Capital Adequacy Ratio
2015-2016	52,019	207,451	25.07
2016-2017	55,793	238,158	23.42
2017-2018	56,312	269,678	20.88

Source: FPB Annual Report

4.6.2 Liquidity Ratio

This refers to the ability by a bank to provide funds to a certain number of people on demand. Sometimes customers want to withdraw huge sums of the amounts they deposited and the safety margin, which is calculated through such elements such as current ratio, quick ratio, the operating cash flow and current liabilities ("Liquidity Ratio"). The current liabilities are compared to the liquid asset in the determination of the liquidity ratio.

The Bank's liquidity ratio as outline in Table 4.7 was 19.8%, 22.5% and 19.32% respectively for the year ending 2016, 2017 and 2018. The CBM was prescribing the liquidity ratio requirement for the banks at 20% at all times. FPB is therefore performing well meeting the minimum requirement with the room for improvement.

Table 4.7 Liquidity Ratio

Financial Year	Liquid Asset (Million MMK)	Liquid Liability (Million MMK)	Liquidity Ratio
2015-2016	30,048	151,070	19.8
2016-2017	40,039	177,691	22.5
2017-2018	39,449	204,122	19.32

Source: FPB Annual Report

The balanced scorecard is an effective way of measuring the performance of a firm. It analyses both financial and non-financial aspect that determine the success of the firm. The FPB is performing well and its management is on the right track. Not only is its experiencing growth, it is also being profitable financially and satisfying the needs of the customers. Overall the liquidity ratio is noted to be consistent over the 3 years at 20% in average with slighter higher ratio in FY2017.

4.5.3 Return on Equity

Return on equity is the amount of net income returned as a percentage of shareholder's equity. It reveals how much profit a company earned in comparison to the total amount of shareholder equity found on the balance sheet. For a bank business this is a key measure as it enables an investor to assess if the company is making money for the investors or not. It measures how profitable a company is for the owner of the investment, and how profitably a company employs its equity. Return on equity is calculated by taking a year's worth of earnings and dividing them by the average shareholder equity for that specific year, and is expressed as a percentage.

As a general rule, the higher the Return on equity, the better it is but this ratio must be considered with other factors to assess the profitability of the company, such as industry comparisons and prior-period trend analysis.

Table 4.8 Returns on Equity

Financial Year	Profit for the year (Million MMK)	Shareholders Equity (Million MMK)	Return on Equity (%)
2015-2016	6,412	36,566	17.53
2016-2017	3,193	36,566	8.7
2017-2018	2,558	36,566	7

Source: FPB Annual Report

According to Table 4.8, return on equity ratio is 17.53% in FY2015-2016 due to initial cost of operation. The return on equity is significantly lower in next year reaching to 8.7%. In FY2018, it has further decreased to 7% respectively. As such, overall ROE has been declining and shareholders are not getting the attractive return for their investment.

For implementing the Balance Scorecard practice in FPB, there is also the need for continuous review and re-adjustment of the selected areas in order to improve the scorecard. This could be through weekly or monthly review of performance targets against actuals so that variations can be identified and corrected early enough to keep the boat on course in order to avoid wrecking it by waiting till the last minute as often is the case with most businesses.

CHAPTER V
CONCLUSION

The purpose of this study was to analyze balanced scorecard and performance of FPB. Therefore, this chapter presents a summary of the main findings of the study, giving conclusions and recommendations which reflect the answers to the specific questions for possible action and suggestions for further research.

5.1 Findings

The analysis found from the analysis that there exists a very important relationship between balanced scorecard and the performance of FPB. The analysis indicated that balanced scorecard significantly provides the bank management with information on low performance areas and strong performance areas exposing where to improve. Moreover, pointed out that there is a relation between growth perspective, learning and financial, with result displaying innovative technique, new products development time and customer oriented performance measures are associated to lower costs, higher sales and greater market share.

FPB performance is mainly attributed to its management team who has spearheaded its growth through the utilization of their skills. All leaders have one major responsibility is to represent a group of and stand for their needs, rights, help attain their objective and protect them against external forces. The sustainability of performance may largely be dependent on certain practices that are not geared towards customer satisfaction and efficient business processes or practices in order to create superior returns and long term growth based on customer satisfaction and lower transaction cost.

Concerning the effectiveness of balance scorecard and performances measurement tools in FPB, the study found that balance scorecard (BSC) as a performance measurement too is very effective with the kind of results that have been gathered through this research, any investor who wants to invest, merge or takeover the AYA bank will be better informed with measures in several dimensions in terms of customer perspective, internal business processes perspective (operational structures and controls), and learning and growth perspective (systems and leadership development) all of which affect the long term performance and survival of the bank than just looking at their financials alone. Customer perspective, internal business process perspective, and learning and growth perspective therefore play complementary roles in assessing performance of institutions. As alluded to in the previous chapters, for a business to be able to create sustainable growth and profit, that business must be able to aggressively recruit new customers and retain them through efficient service delivery and customer service. That is because if new customers are recruited and they are not satisfied with the service and product of the organization they may exit early and it will cost a lot more to the business to recruit to replace the lost customers in order to stay in business.

In conclusion therefore, the balances scorecard framework can be implemented to assess performance of FPB. The BSC framework can also assist by providing addition information using measures in several dimensions such as customer perspective to managers, shareholders and other interested stakeholders regarding the performance of FPB. This will enable banks focus on the core strategies in order to create and deliver superior value and returns to their stakeholders. This puts the shareholders in a informed position regarding the value of the banks are delivering to them in the short-run versus the long-run. This additional information that BSC framework is providing could be viewed like a commentary on "facts behind the figures" to reveal the non-financial inputs that went into achieving the financial results and whether the results being reported by the bank are sustainable in the long run.

5.2 Suggestion

FPB should integrate framework for describing and translating strategy through the use of linked performance measures in four balanced perspectives: Customer, Internal Processes, Learning and Growth and Financial. FPB should engage balanced scorecard as their primary performances measurement tool a factor that will enhance their performance, increase their competitive edge and enhance their customer satisfaction. FPB should provide enough resources especially for funding further comprehensive sensitization on the importance of balanced score card in relation to strategy.

Despite the fact that FPB performance management framework is working great yet at the same time there are a few odds of change so this study proposes the accompanying recommendation and suggestion:

1. FPB implements the balanced scored as a performance measurement and strategic implementation tool to improve their operational performance profitability.

2. FPB implement performance indicators relevant to the current condition of practices and external condition of the market, as further advance, consider the suitability of inspecting the performance management cycle each year for advance change.

There is the need to place emphasis on the fact that, when implementing this framework, banks must follow a well-planned methodology and advise that was given in this paper in order for them to reap the full benefit of their investment. There is need for vigorous capacity building program to improve the appreciation and usage of balanced scorecard.

5.3 Need for Further Studies

The study further had to take a long process of seeking guidance and policy permission from the relevant authorities to secure a permit to carry out the study. The process of data collection was very short. Nevertheless, the researcher made sure the respondent give as much responses as they could and the data collection process was a success.

The study focused on balanced scorecard and performance of FPB and it is recommended that a similar study be replicated in other companies in the banking industry where this tool has been adopted. Further research should also be done involving all the employees of FPB. The study suggests. that more studies should be carried out to determine whether benefits of balanced scorecard outweigh the costs of implementation when implemented fully, efficiently and effectively and whether it complements the financial measures of past performance with operational measures that drive future performance and growth.

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Questionnaire For Customer

Please tick "√" in the box that best describes you.

Section (A)

1. Gender
    - Male
    - Female
2. Age
    - <25 years
    - 26-35 years
    - 36-45 years
    - 46-55 years
    - >55 years
3. Education
    - Bachelor's Degree
    - Master's Degree
    - Higher than Master's Degree
4. Marital Status
    - Married
    - Single

Section (B)

Indicator 1=Very Dissatisfied, 2 = Dissatisfied, 3 = Neutral, 4 = Satisfied, 5 = Very Satisfied.

No.	Customer Perspective	1	2	3	4	5
1.	Experiences of FPB's staffs about their jobs.					
2.	Efficiency of Telephone Service					
3.	Easily accessibility of ATM machines					
4.	Confident and skills of the staffs					
5.	Accuracy and speedy of FPB's services and transactions					
6.	Knowledge and politeness of employees towards giving services and solving complaints					
7.	Clear communication of updated and related process information whenever necessary.					

Section (C)

Indicator 1=Very Dissatisfied, 2 = Dissatisfied, 3 = Neutral, 4 = Satisfied, 5 = Very Satisfied.

No.	Internal Business Process Perspective	1	2	3	4	5
1.	Are you satisfied dealing with FPB's respond about the products upon query?					
2.	Are you satisfied with the turn around and processing time of each product?					

3.	Are you satisfied on quality of products compare with others banks?					
4.	Are you satisfied with the availability of products information on time?					
5.	Are you satisfied with the pricing of products offered by FPB?					
6.	Is the internet banking service of FPB user friendly?					
7.	Are you satisfied with the overall banking services of FPB?					

Questionnaire For Employees

Section (A) Analysis on Customer's Perception
Please tick "√" in the box that best describes you.

Section (A)

1. Gender
   - Male
   - Female

2. Age
   - <25 years
   - 26-35 years
   - 36-45 years
   - 46-55 years
   - >55 years

3. Education
   - Bachelor's Degree
   - Master's Degree
   - Higher than Master's Degree

4. Marital Status
   - Married
   - Single

5. Salary
   - Less than and equal 200,000
   - 200,0001-400,000
   - 400,001 – 600,000
   - 600,001-800,000
   - More than and equal 800,001

6. Experience with current organization

- Less than 1 Year
- 1 to 2 Years

- 2 to 3 Years
- 3 to 4 Years
- 4 to 5 Years
- 5 Years and Above

7. Position in the organization

- Manager
- Executive
- Supervisor
- Staff

<u>Section (B)</u>

Indicator 1=Very Dissatisfied, 2 = Dissatisfied, 3 = Neutral, 4 = Satisfied, 5 = Very Satisfied.

No.	Learning & Growth Perspective	1	2	3	4	5
1.	My personal learning objectives have been achieved.					
2.	I felt the courses were the most useful at my work.					
3.	My behavioral skill and attitude have been changed due to the courses.					
4.	I have the confidence to use the knowledge gained from training class in my daily work life.					
5.	The course content was the valuable for my learning.					
6.	I'm able to service the customer better with the knowledge gained from courses.					
7.	The IT trainings enable me to become more efficient in understanding of core banking system.					