

THE COMPARATIVE PERFORMANCE ANALYSIS OF TWO COMMERCIAL BANKS IN CAMBODIA

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Abstract: The aim of this thesis is to analyze Aceda Bank Plc. & Canadia Bank Plc. performance in Cambodia by using Balanced Scorecard (BSC) as a measurement tool for performance, analyze their managerial strategies and bank condition, and identify the key factors that influencing their performance. This thesis first analyzes the financial performance by using financial statements within the period of four years (2010-2013). In a second stage, there were 200 of customers and 60 employees of both bank responded by face to face interview. There are several important statistic tests such as pretest, reliability test, and Pearson Correlation of SPSS used to measure the relationship between customer perspective, internal operation perspective, and learning and growth perspective to the bank financial perspective (ROA). The results of the research showed that all the 10 variables had significant relationship with bank financial performance. The highest significant of Aceda bank was internal operation perspective and Canadia bank was customer perspective. Most of the variables had the significant greater than the specified value of (0.05), it was accepted for both Aceda bank and Canadia bank which showed that there were no relationship (H_0) between bank financial performance for Aceda bank. The results of the research also presented a number of discussion and the recommendations for practitioners in either banking sector or in other service-providing businesses.

Keywords: Performance Analysis, ROA, Balanced Scorecard, Commercial Banks

Introduction: Performance measurement are typically based on statistics of past performance and it is critical for effective functioning of any business as it helps in creation of competitive productivity strategies, quality improvement; speed of service at the forefront for managing company performance, (John Knight and Stephen Satchell, 2002). This study applied Balanced Scorecard theory to compare performance analysis of two largest commercial banks in Cambodia, Aceda Bank Plc. and Canadia Bank Plc (NBC, 2011) based on their financial performance of annual reports from year 2010 to 2013 related to their customer perspective, internal operation perspective, learning and growth perspective. The study is organized as the following parts as research objective, literature review, conceptual framework, methodology and data used in this study. The next section presents the empirical results and final part provides concluding remarks and recommendations.

Research Objectives : The objectives of this research is to measure and compare the performance of banks business in Cambodia which are as follows:

1. To analyze Aceda Bank Plc. & Canadia Bank Plc. performance in Cambodia by using the Balanced Scorecard (BSC) as a measurement tool for performance.
2. To analyze Aceda Bank Plc. & Canadia Bank Plc. managerial strategies and bank condition.
3. To identify the key factors that influences Aceda Bank Plc. & Canadia Bank Plc. performance.

Literature review

Balanced Scorecard and the Performance Management of Commercial Banks:

The use of the balanced scorecard in performance evaluation has been favored because; it provides solutions to two major problems that the traditional performance management system could not provide. These solutions are:

- It is able to effectively measure the performance evaluation the commercial banks.
- It is capable of implementing strategies of commercial banks.

According to the Harvard review, it stated that the Balance scorecard is the most influential strategic management tool in the last seventy-five years (Kaplan & Norton, 2007). Kaplan, R.S.

and Norton, D. P. (1992), stated that there are no single measure can provided a clear performance. Managers should to pay attention on financial and non-financial performance in order to get a balanced performance measurement. As in 1980s, Kaplan, R.S. and Norton, D. P. had contrasted with some executives who tried to replace traditional measures of financial to operational measures by suggested four sets of parameters of Balanced Scorecard.

Balanced Scorecard (BSC) is a measurement tool which meets the demand of contemporary organizations which is a framework that adapts a multidimensional view of performance measurement that have been developed by Kaplan and Norton (1992 & 1996). The Balanced Scorecard encourages the use of both financial and non-financial measures along with its four perspective of financial performance, customer’s perspective, internal operation perspective and learning and growth perspective (Kaplan and Norton, 1996; & Tapanya, 2004).

Sabah M. Al-Najjar & Khawla H. Kalaf (2012) ‘Designing a Balanced Scorecard to Measure a Bank’s Performance’ in Iraq, The result of analysis reveals that the LLB performance **Conceptual Framework:**Based on the comprehensive research of predecessors about Bank performance measurement, this study refer to previous definition of the performance measurement, the balanced Scorecard (BSC) and

measured by the BSC seems evident that the LLB performance was weak during the first three years of study, and fair during 2009. Jelena Titko, & Natalja Lace applied Balanced Scorecard to determine the most appropriate operating objectives and target measures for the bank’s customer service center was found that, for customer measures, both managers and customer service specialists put more emphasis to the number of existing and acquired customers (Jelena Titko, & Natalja Lace, 2010).

Sunita Panicker and Vinita Seshadri in purpose of contribute the understanding of how Balanced Scorecard (BSC) is developed and applied in evaluating the performance of Standard Chartered Bank (SCB), a foreign bank in India during 2009-2012. The analysis assisted the cause-effect relationships between the non-financial, and the financial dimensions of the BSC. The result of research analysis reveals that the SCB performance measured by the BSC was 64%, 76%, 75%, and 63% for the years 2009-2012 respectively. Finally, all variables were possible determinants that affect the performance measurement (Sunita Panicker & Vinita Seshadri, 2013).

put these factors into this study model, including financial perspective, customer perspective, internal operation perspective, and learning and growth perspective.

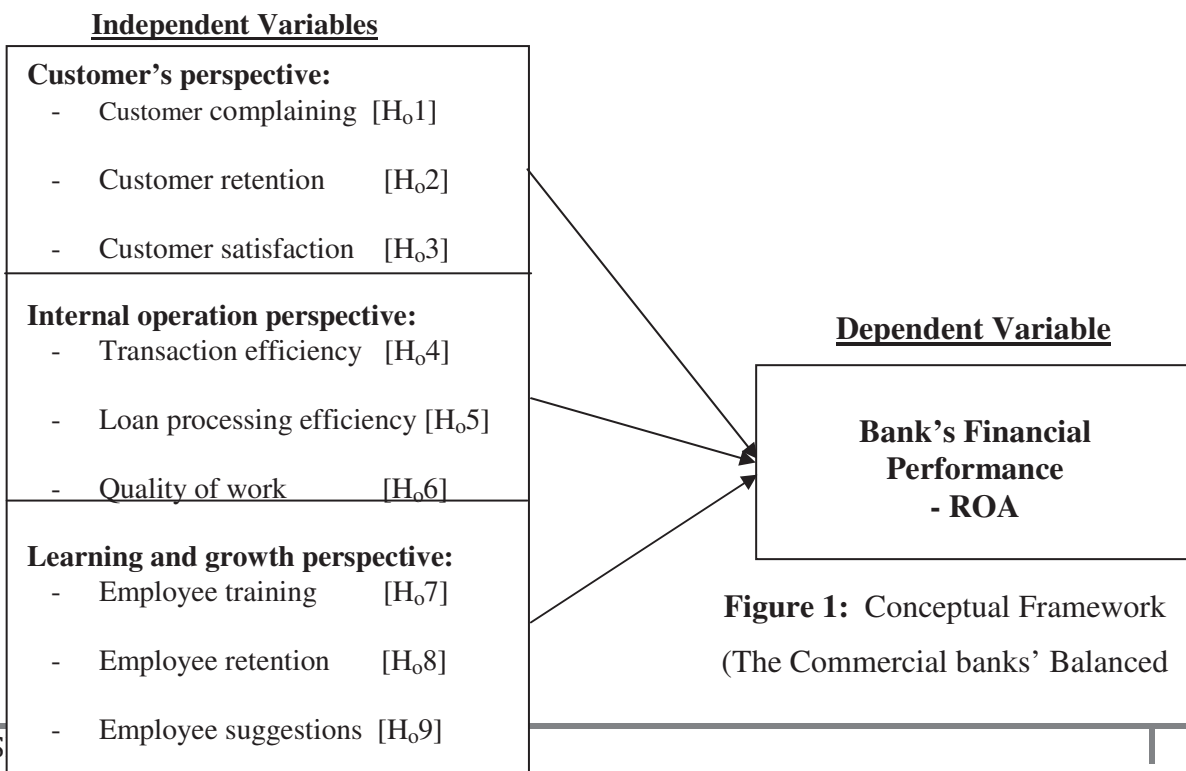


Figure 1: Conceptual Framework
(The Commercial banks’ Balanced

Research Methodology:The quantitative research, along with the description of basic statistic, is to be employed for this study. The objective of collecting this data is to develop and improve the understanding of the performance measurement system utilized by the bank's employees, customers, and financial statement. The interview structure that this study used were structured interviews and semi structured.

Sample Size:Survey methodology was adopted by this study as a result of small sample size which was focused only on headquarter of Aceda Bank Plc. and Canadia Bank Plc. in Phnom Penh. To measure the banks financial performance, annual reports from year 2010 to 2013 was used. Moreover, this study was done using face-to-face interview with 200 customers by structure questionnaire and 60 employees who work at the loan department of Aceda Bank Plc and Canadia Bank Plc. were selected for survey using semi-structure questionnaire.

Empirical Results:Both the Pretest and Pearson Correlation analysis was done by using Microsoft excel and SPSS software. Both the software's

Data Analysis:The data from this study was analyzed by using SPSS. This study used Pearson correlation analysis as a tool statistical analysis. The questionnaires of this study consisted of three perspective to measure with the bank's financial performance (ROA) between four years period (2010-2013) just like: Customer perspective which included customer complaining, customer retention and customer satisfaction. Internal operation perspective consisted with transaction efficiency, loan processing efficiency, and quality of work. Learning and growth perspective consisted with employee training, employee retention, employee suggestions, and employee satisfaction. The data for internal operation perspective and learning and growth perspective have been collected using survey questions from 60 employees at loan department only.

used show identical results which are given below.

Table1: Statistics summary of Bank's Financial Performance (Dependent Variables)

Variables	Aceda Bank Plc.				Canadia Bank Plc.			
	2010	2011	2012	2013	2010	2011	2012	2013
Total asset	\$1,160.56	\$1,486.65	\$1,908.17	\$2,297.74	\$1,040.13	\$1,264.54	\$1,545.53	\$1,790.32
Deposit	\$911,154	\$1,147.21	\$1,460.86	\$1,643.08	\$871,281	\$1,059.30	\$1,282.82	\$1,436.76
Loan and advance	\$730,778	\$989,380	\$1,231.21	\$1,439.49	\$496,476	\$721,512	\$845,419	\$1,044.99
Net Profit	\$26,446	\$49,353	\$63,639	\$77,761	\$15,136	\$23,235	\$35,549	\$39,131
ROA	2.28%	3.32%	3.34%	3.38%	1.46%	1.84%	2.3%	2.19%
ROE	20.43%	27.61%	25.22%	21.01%	11.58%	15.09%	17.65%	16.07%
EPS	\$0.39	\$0.63	\$0.56	\$0.42	\$0.22	\$0.30	\$0.27	\$0.28

Table2: Statistics summary of Customer Perspective (Independent Variables)

Variables	Aceda Bank Plc.		Canadia Bank Plc.	
	Mean	Std. Deviation	Mean	Std. Deviation
Customer complaining	4.11	.618	3.89	.650
Customer retention	4.21	.671	4.19	.581
Customer satisfaction	4.13	.706	3.98	.635

Table3: Statistics summary of Internal Operation Perspective (Independent Variables)

Variables	Aceda Bank Plc.		Canadia Bank Plc.	
	Mean	Std. Deviation	Mean	Std. Deviation

Transaction efficiency	4.40	.563	4.10	.662
Loan processing efficiency	4.30	.596	4.17	.648
Quality of work	3.90	.350	3.83	.379

Table 4: Statistics summary of Learning and Growth Perspective (Independent Variables)

Variables	Acleda Bank Plc.		Canadia Bank Plc.	
	Mean	Std. Deviation	Mean	Std. Deviation
Employee training	4.27	.691	4.07	.583
Employee retention	4.20	.664	3.87	.551
Employee suggestion	3.87	.900	3.83	.747
Employee satisfaction	4.37	.669	4.40	.563

Table 5: ANOVA Table for the Two Banks

ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	8518.326	2	4259.163	13.641	.000 ^b
Residual	61508.897	197	312.228		
Total	70027.204	199			

a. Dependent Variable: Average ROA

b. Predictors: (Constant), Customer, Internal operation, Learning and growth

Table 6: Summary of Hypothesis Results

Null Hypothesis	Acleda Bank Plc.			Canadia Bank Plc.		
	Correlation	Significant	Results	Correlation	Significant	Results
H ₀₁	0.059	0.560	Accepted H ₀	0.044	0.664	Accepted H ₀
H ₀₂	0.217	0.030	Rejected H ₀	0.022	0.831	Accepted H ₀
H ₀₃	0.038	0.709	Accepted H ₀	0.007	0.944	Accepted H ₀
H ₀₄	0.072	0.706	Accepted H ₀	0.090	0.636	Accepted H ₀
H ₀₅	0.000	1.000	Accepted H ₀	0.103	0.589	Accepted H ₀
H ₀₆	0.043	0.820	Accepted H ₀	0.208	0.271	Accepted H ₀
H ₀₇	0.154	0.417	Accepted H ₀	0.046	0.811	Accepted H ₀
H ₀₈	0.120	0.527	Accepted H ₀	0.145	0.445	Accepted H ₀
H ₀₉	0.273	0.145	Accepted H ₀	0.178	0.347	Accepted H ₀
H ₀₁₀	0.070	0.713	Accepted H ₀	0.283	0.129	Accepted H ₀

The results from the operational hypotheses indicates that almost the perspectives of independent variables from H₀₁ to H₀₁₀ (customer complaining, customer retention,

customer satisfaction, transaction efficiency, loan transaction efficiency, quality of work, employee complaining, employee retention, employee suggestion, and employee

satisfaction) have an insignificant relationship with Dependent variable (bank financial performance). However, the second hypothesis (customer retention), the significant relation is 0.03, which less than the specified value of (0.05), it was rejected for Aceda bank which shows that the customer retentions has association with bank financial performance for Aceda bank.

According the table5, the F-distribution table, the critical value for F-distribution's significant level is at 2.56. The table above, which represents the banks performance for the two banks is 13.641 which is greater than the critical value and the model sig (p-value) is less than $p \leq 0.001$. This shows that there is significant relationship between ROA and the independent variable (Customers perspective, internal operation perspective, and learning and growth perspective) can reliably predict ROA for these two banks.

Conclusions: The main purpose of this study is to identify the relationship between four perspectives of Balanced Scorecard, to analyze Aceda Bank Plc. & Canadia Bank Plc. managerial strategies and bank condition, and to identify the key factors that influence Aceda Bank Plc. & Canadia Bank Plc. performance. Regarding the purpose of this study, the researcher attempts to study the relationship between four factors just like bank's financial performance, customer perspective, internal operation perspective, and learning and growth perspective by quantitative analysis method.

The study from the operational hypotheses indicates that almost all the perspectives of independent variables from H_{01} to H_{010} have an insignificant relationship with Dependent variable (ROA), excepted for H_{02} of Aceda Bank has significant relation (0.03) which less than the specified value of (0.05), it was rejected for Aceda bank which shows that the customer retentions has association with bank financial performance.

In addition, the study found that Aceda bank and Canadia Bank have different conditions. In term of an aggressive bank, Aceda Bank Plc, has hired a pool of young employees, who has more capability to perform certain task and are more skilled when it comes to new technology. The researcher found that

transaction efficiency (4.40) of internal operation perspective is the highest contributor to Aceda bank's financial performance in context of our study. Which mean that the bank has a high speed of operating. On the other hand, Canadia Bank is kind of conservative bank which has hired a pool of middle age employees that is full of ability, and experiences. Canadia bank main factor is learning and growth perspective which has value (4.40) in terms of Banks convenient and modern workplace.

Overall, the results of study shows, the performance of the Aceda bank is better than Canadia bank. The performance of both banks looks good, these banks should be respected for being one of the very successful banks in Cambodia. The results of this work have many implications on the authorities of the National Bank of Cambodia (NBC). We expect that with the increased demands from stakeholders, financial sector analysts, educators, and practitioners the BSC shall be widely used in the banking sector in Cambodia.

Recommendations: According to the analysis of this study there are certain recommendations for banker, government, as well as the stake-holders if these factors are consider then it could probably help the banks to gain their activity.

- According to customer's complaining, the managers of Canadia bank should consider about the price of service charge because the cost is still high compared to Aceda bank.
- Since more investors are now come to invest in Cambodia and those investment are based on banks. Bankers as well as stake-holders should pay more attention on internal operation and customer perspective in order to work more efficiency and to gain more profitability.
- Government as well as the stake-holders need to focus on the external business environment because Cambodia as ASEAN country has more potential for further development.
- Both banks manager should provide its employees with opportunities for capacity building to get themselves prepared and ready for the upcoming ASEAN economic community 2015, this is surely going to

bring a lot of competition. It would be better for banks to be prepared in advance before foreign banks intervene in the local market.

Further Research: This research study mainly focus on the comparative performance analysis of two commercial banks in Cambodia by used Balanced Scorecard as a tool to analyze. For further study,

demographic factors, sample size, other factors and theories which have been found in other comparative performance analysis studies should be used to analyze such relationship. In addition, another option for future study could be focus on more banks, micro financial institute (MFI) or insurance companies in order to get more samples to cover the financial situation in Cambodia.

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