BALANCED SCORECARD MODEL OF "ABN AMRO"

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ABSTRACT

Panel data spread over twelve years from 2005 to 2016 and 29 indicators of the bank, are used for the purpose. The initial discussion relating to the significance of measurement of intangible assets and integration of contingencies in performance evaluation establish the need to design a comprehensive performance evaluation system for the Indian banks. It is found that being a part of the service sector, long-term strategic planning in a bank needs to concentrate on such a system. However, implementing this technique becomes complicated due to the difficulties in measurement of the intangible assets, existence of the interrelations among these indicators, differences in the significance assigned to various indicators within the organization and trouble in setting the linkages between the employee performance and the reward mechanism. Paper evaluates the significance of intangible aspects as a tool for performance measurement in the Indian banking sector, with a special focus on the foreign bank – the ABN AMRO. This is done by constructing a Balanced Scorecard for the bank, and then evaluating the performance of the bank through this BSC.

ABN AMRO AS A LEADING FOREIGN BANK:

ABN AMRO is one of the leading foreign bank of India. First, it is a prominent international bank with history going back to the Netherlands of 1824. ABN AMRO ranks the eighth in the Europe and the 12th in the world based on total assets, with more than 3500 branches in 76 countries, a staff of more than 1,00,000 full-time equivalents and total assets of US $ 504 billion. ABN's Indian assets are estimated to be over Rs.23500 crore, making it the fourth largest foreign bank in India. Second, ABN AMRO (India) has had a long-standing presence in India, having been in Kolkata and Mumbai since 1920. Traditionally known as the "diamond-financing bank", it has transformed itself from a bank focusing on the corporate business segment into a bank providing a comprehensive range of services across multiple channels. Third, after the merger of ABN and AMRO worldwide, the bank started expanding in a big way in India, 1991 onwards. Currently it has 23 branches across 21 cities, with a focus on the consumer and commercial clients business, and a microfinance programme making it a foreign bank of great interest in India.

BANKS VISION STATEMENT:

Excellence of service to the clients and leadership in the chosen markets, while adhering to its corporate values, are of paramount importance to the long term success of the bank.

BANKS MISSION STATEMENT

To create maximum economic value for shareholders through a constant relationship focus on the financial services needs of the chosen client segments and a strict adherence to the financial targets. The mission statement indicates that financial and customer perspectives bear more weight in the developmental strategy of the bank. The SWOT analysis of the bank supports this notion, whereas technological and internal business process perspectives appear to be a stronghold of the bank.

The bank operates in three principal customer segments – consumer, commercial and private banking activities, with the objectives mentioned below:

- Maximize the value of each of the above stated businesses as well as the synergies between them
- Develop its operations in India as a subsidiary
- Increasingly focus on off-shoring business processes to tap the human resources and reduce the cost of operations in other countries

ABN AMRO functions with the strategy to build on its strong position with mid-market clients and to provide clients in this segment with high-quality and innovative products and services from across the Group. In other words, the strategy of the bank is aimed at combining local client intimacy and global product excellence. The bank focuses on consumer, commercial and private banking activities. Its business mix gives a competitive edge in its chosen markets and client segments. The clients are the prime beneficiaries of the relationship banking approach implemented through the Business Units of the bank.

INDICATORS OF THE BANK

The data given in table 4.5 must be analysed with a caution. The reason is that although ABN AMRO is the fourth largest foreign bank in India, its operations are very limited as compared to both Indian nationalized banks and Indian private sector banks on one hand and other foreign banks operating in India on the other.

A. Financial Perspective:

Table 4.5a indicates that all indicators of financial perspective except cash-deposit ratio and the growth rate of net profits are statistically significant. Chart 4.17 shows that the financial indicators for ABN AMRO are not highly volatile. Hence, performance of the bank is considered to be more stable, which is important considering the fact that as a foreign bank it has to face more stringent RBI norms. The cash-deposit ratio declined continuously from 10.92 in 2005 to 6.41 in 2014, following the declining cash reserve requirements by the RBI. However, after that the ratio increased again to reach the level of 11.31 by 2016. Though the average cash-deposit ratio maintained by the bank is 8.383 and it is slightly higher as compared to all commercial banks in general, the difference is not significant. This indicates that the bank is confident about its own financial performance and its image among the customers, unlike some other private and foreign banks who maintain relatively higher cash-deposit ratio to meet a sudden run on the bank by the depositors. Moreover, lower cash-deposit ratio is also an indicator of higher credit creation by the bank. This is evident from the fact that the credit-deposit ratio of ABN AMRO has increased from 102.62 in 2005 to 140.00 in 2013, before declining to 107.77 in 2016. The mean value of 110.803 is almost double compared to the mean of all commercial banks, resulting in high statistical significance.

TABLE 4.5a: FINANCIAL PERSPECTIVE – ABN AMRO

	Cash-deposit ratio	Credit-deposit ratio	Ratio of interest income to total assets	Ratio of net interest margin to total assets	Ratio of net NPA to net advances	Investment-deposit ratio	Return on equity	Capital adequacy ratio	Return on assets	Growth rate of net profits
Mean	8.3825	110.8033	9.203333	4.2475	0.7275	51.7758333	20.20808	11.18583	1.513333	22.83147
Known Variance	8.383	178.371	2.179	0.115	0.249	193.998	24.159	2.364	0.337	788.687
Observations	12	12	12	12	12	12	12	12	12	11
Mean Difference	0	0	0	0	0	0	0	0	0	0
z	0.224054	11.06752	1.873046	10.44060284	-4.595976231	3.36548261	-9.90434	-1.564573	3.776368	-0.460275
P(Z<=z) one-tail	0.411357	0	0.030531	0	2.15364E-06	0.00038205	0	0.058841	7.96E-05	0.322659
z Critical one-tail	1.644854	1.644854	1.644854	1.644853627	1.644853627	1.64485363	1.644854	1.644854	1.644854	1.644854
P(Z<=z) two-tail	0.822715	0	0.061062	0	4.30728E-06	0.0007641	0	0.117683	0.000159	0.645319
z Critical two-tail	1.959964	1.959964	1.959964	1.959963985	1.959963985	1.95996398	1.959964	1.959964	1.959964	1.959964

TABLE 4.5b: CUSTOMER PERSPECTIVE – ABN AMRO

	Growth rate of total credit	Ratio of term loan to total advances	Ratio of priority sector advances to total advances	Transactions outside India	Growth in total deposits	Ratio of term deposits to total deposits	Ratio of deposits to total liabilities	Marketing expenses	Growth in volume of business	Marketing expenses to volume of business
Mean	31.66639	36.1756	32.27636	157453.5	31.18494606	61.3683333	53.13641	1532.167	31.21981	0.099791
Known Variance	574.403	74.506	18.781	42000000000	597.559	148.387	33.612	1839209	526.873	0.001896
Observations	11	12	11	12	11	12	12	12	11	12
Mean Difference	0	0	0	0	0	0	0	0	0	0
z	1.337515	-2.1998	-0.210757	-0.041460476	1.79430559	-0.37107218	-15.1287	1.934468	1.68295	-1516.196
P(Z<=z) one-tail	0.090527	0.013911	0.416539	0.483464401	0.036382203	0.35529189	0	0.026528	0.046192	0
z Critical one-tail	1.644854	1.644854	1.644854	1.644853627	1.644853627	1.64485363	1.644854	1.644854	1.644854	1.644854
P(Z<=z) two-tail	0.181055	0.027821	0.833077	0.966928801	0.072764406	0.71058377	0	0.053056	0.092385	0
z Critical two-tail	1.959964	1.959964	1.959964	1.959963985	1.959963985	1.95996398	1.959964	1.959964	1.959964	1.959964

TABLE 4.5c: INTERNAL BUSINESS PROCESSES – ABN AMRO

	Business per employee	Profit per employee	Ratio of wage bills to total income	Ratio of wage bills to total expense	Ratio of wage bills to intermediation cost
Mean	878.415	11.324	9.134332	13.09048842	30.62968499
Known Variance	10111.34	16.197	12.789	25.191	24.754
Observations	10	10	12	12	12
Mean Difference	0	0	0	0	0
z	10.19841	7.128591	-5.086507	-3.533646311	-14.11320152
P(Z<=z) one-tail	0	5.07E-13	1.82E-07	0.000204935	0
z Critical one-tail	1.644854	1.644854	1.644854	1.644853627	1.644853627
P(Z<=z) two-tail	0	1.01E-12	3.65E-07	0.000409869	0
z Critical two-tail	1.959964	1.959964	1.959964	1.959963985	1.959963985

TABLE 4.5d: LEARNING & GROWTH PERSPECTIVE – ABN AMRO

YEAR	Number of atms	Number of Debit cards	Number of credit cards		Expenditure on training of employees	Number of skilled employees
2005						
2006				Mean	14904.41667	30.1629182
2007				Known Variance	259000000	686.788
2008				Observations	12	6
2009				Mean Difference	0	0
2010				z	-1.000501124	2.41478301
2011			1.25	P(Z<=z) one-tail	0.158534027	0.00787229
2012		3	4	z Critical one-tail	1.644853627	1.64485363
2013		3.9	7	P(Z<=z) two-tail	0.317068054	0.01574459
2014		6.3	10.1	z Critical two-tail	1.959963985	1.95996398
2015	110	10.73	16.5			
2016	116	11	15			

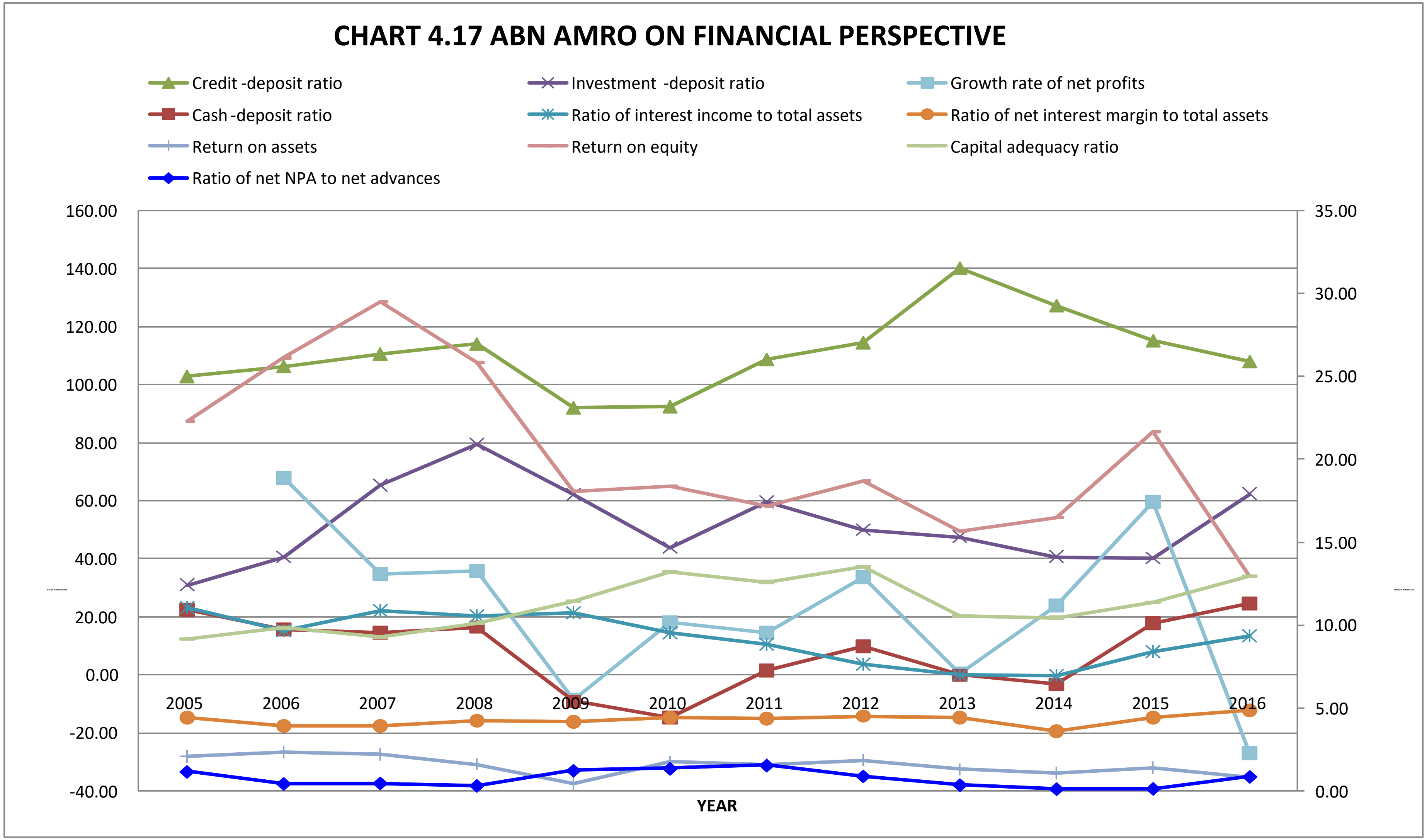


CHART 4.17 ABN AMRO ON FINANCIAL PERSPECTIVE
Credit -deposit ratio
Investment -deposit ratio
Growth rate of net profits
Cash -deposit ratio
Ratio of interest income to total assets
Ratio of net interest margin to total assets
Return on assets
Return on equity
Capital adequacy ratio
Ratio of net NPA to net advances
160.00
140.00
120.00
100.00
80.00
60.00
40.00
20.00
0.00
-20.00
-40.00
35.00
30.00
25.00
20.00
15.00
10.00
5.00
0.00
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
YEAR

Out of the five bank sample selected here, this is the only bank having greater volume of credit creation as compared to the deposits mobilized. This implies that the bank utilizes its deposit base more efficiently as compared to the other banks. Moreover, with a greater focus on commercial activities, it can be expected that the bank has been able to grant more credit as compared to the deposits mobilized by it.

The impact of high credit-deposit ratio is visible in higher ratio of interest income total assets. Although the ratio showed a declining trend from 11.05 in 2005 to 6.94 in 2014, it increased again to 9.33 by 2016. And, the mean value of 9.203 is significant as compared to the interest income to total assets ratio for all commercial banks at 8.219 per cent level. The marginal decline in the ratio indicates that the share of other components of total assets has increased at a faster speed. This could be mainly due to declining interest rates charged by the bank in the wake of declining real rates of interest in the economy, and corresponding expansion of credit advances.

The ratio of net interest margin to total assets has remained almost stable. It reached the lowest level of 3.56 in 2014, before rising again to a comfortable level of 4.85, the highest among the five banks chosen here. This renders the ratio of net interest margin to total assets much greater significance with the mean value 4.248 being higher than the mean for all commercial banks. This indicates that while the share of interest income has declined, the share of net interest margin has not declined much. This is due to the fact that the interest expenditure has not increased much as compared to the decline in the interest revenue. It should also be noted that the ratio has the highest mean value compared to all the banks included in the sample here and a relatively lower variance of 0.114. Thus, while other banks seem to have suffered from a loss in net interest income, ABN AMRO has not suffered as much loss, which indicates financial soundness of the bank. This prompts to a possibility of lower net NPA to net advances ratio. Data analysis reveals that the ratio decreased initially from 1.15 in 2005 to 0.30 in 2008, before rising again up to 1.54 in 2011 and then declined again to 0.11 by 2014. It increased to 0.85 by 2016. The mean value of 0.728 and the variance of 0.249 are both significantly low as compared to the mean and variance of all commercial banks, which are 4.459 and 7.66 respectively. One of the reasons behind such sound performance can be limited existence of the bank in the country. Moreover, being a foreign bank, it must be extra cautious about its lending activities as well as its compliance with stringent RBI norms regarding the functioning of foreign banks in India. Nevertheless, as the bank tries to expand its activities in the country in future, this is bound to have a positive impact. Another positive performance indicator is relatively high and statistically significant investment-deposit ratio. This ratio increased from a low value of 30.83 in 2005 to the peak of 79.38 in 2008. It reached the low level of 40.05 in 2015, before rising to 62.28 in 2016. Nevertheless, it is quite high with a mean value of 51.776 against the mean of all commercial banks 37.966. The variance is also very high at 193.998. This indicates that the bank constantly tries to balance well between the two major assets: credit and investment. At the same time, it needs to pay more attention to the declining investment-deposit ratio of late, if it wants to continue its balanced approach towards asset creation. Sound financial performance in the above indicators is bound to translate into high profitability as well. This is evident from very high values of both return on equity and return on assets, although both the trends have been downward. The return on equity declined from 22.27 to 12.93 during the last decade with the mean value of 20.208 and a variance of 24.159, both of which are more than the figures for the all commercial banks. The difference between the two mean values is highly significant, though the declining trend may be a matter of concern for the bank. On the other hand, return on assets declined from 2.08 to 0.78, with the mean of 1.51 and variance of 0.337. Again, the mean is significantly high when compared with all commercial banks. The significance of both these ratios indicates that the bank has done profitable business. However, with increasing competition and decreasing interest rates, the profit margin may have declined, which has caused reduction in both the ratios over the past decade. The full range of decline in profitability is evident from data on growth rate of net profits. The performance of the bank appears to be quite erratic here, as the growth rate declined from 67.82 per cent in 2006 to -8.79 percent in 2009, and then increased up to 33.38 per cent in 2012. However, the growth rate declined again to 0.22 per cent in 2013 and then increased to 59.44 per cent in 2015. Once again it went into red in 2016, when the bank registered a negative growth rate of -27.164 per cent. This erratic behavior resulted into a lower average growth rate of net profits, that is, only 22.83, as compared to all commercial banks, which is 28.837. And, although the variance is not very high, the growth rate of net profits is not a statistically significant performance indicator as far as ABN AMRO is concerned. Finally, the capital adequacy ratio of the bank increased from a low value of 9.16 in 2005 to the highest value of 13.48 in 2012, before declining again to 12.92 in 2016. The average capital adequacy maintained by the bank is 11.186, which is the lowest in the selected sample and also lower as compared to the average of all commercial banks. With the variance of 2.364, the ratio is significant at 5.88 per cent, which is a better performance compared to the private sector banks included in the sample. The bank has diligently complied with the capital adequacy norms of the RBI for foreign banks, that is, minimum nine per cent. The present capital adequacy is also higher than the BASEL II requirement of nine per cent. This indicates that the bank has confidence in the performance of its assets, and believes in taking enough risk to translate its liabilities into assets. Such a policy is based on lower NPAs and the past history of sound financial performance. In the light of recent fluctuations in the growth rate of net profits, the bank may prefer to be more vigilant and opt to maintain higher capital adequacy to balance the risk assets in a better way.

B. Customer Perspective:

Chart 4.18a indicates the performance of the indicators on customer perspective for ABN AMRO. Initially the growth rate declined from 34.57 per cent in 2006 to 5.93 per cent in 2010, but then it increased continuously up to 53.24 per cent in 2014, before decreasing again to 10.84 in 2016. With the mean value of 31.67 and variance of 574.40, the ratio is significant at 9.05 per cent level when compared with all commercial banks. Although the growth rate of total credit is lower compared to the private sector banks considered here, performance of ABN AMRO is better since the variance is much lower compared to these banks. As the bank expands its operations in India, it can concentrate further on increasing credit creation through better marketing and lower interest charges. Further analysis shows that the ratio of term loans to total advances has shown a downward trend from 41.42 in 2005 to 26.74 in 2010. However, the ratio has increased considerably since then to reach the level of 50.81 by 2016. With the mean value of 36.176 and variance of 74.505, the ratio is significantly below the average of all commercial banks. This implies that so far the bank has refrained from granting large amount of long term loans. This may be due to overly cautious approach of the foreign bank to avoid large amount of NPAs and customers behaving shyly in approaching a foreign bank for their credit needs. Interestingly, the ratio of priority sector advances to total advances continuously increased from 28.83 in 2005 to 36.55 in 2016. The average of 32.276 is not significantly different from the average of commercial banks, in spite of a relatively higher variance. This indicates that the bank has paid more attention to granting credit to the priority sector, which is commendable considering that ABN AMRO is a foreign bank. Also, it must be noted that in spite of being a foreign bank, ABN AMRO has been granting much higher proportion of total credit to the priority sector, especially in the field of microfinance. This proves the concern this foreign bank has towards the development of the grass roots level of the economy.

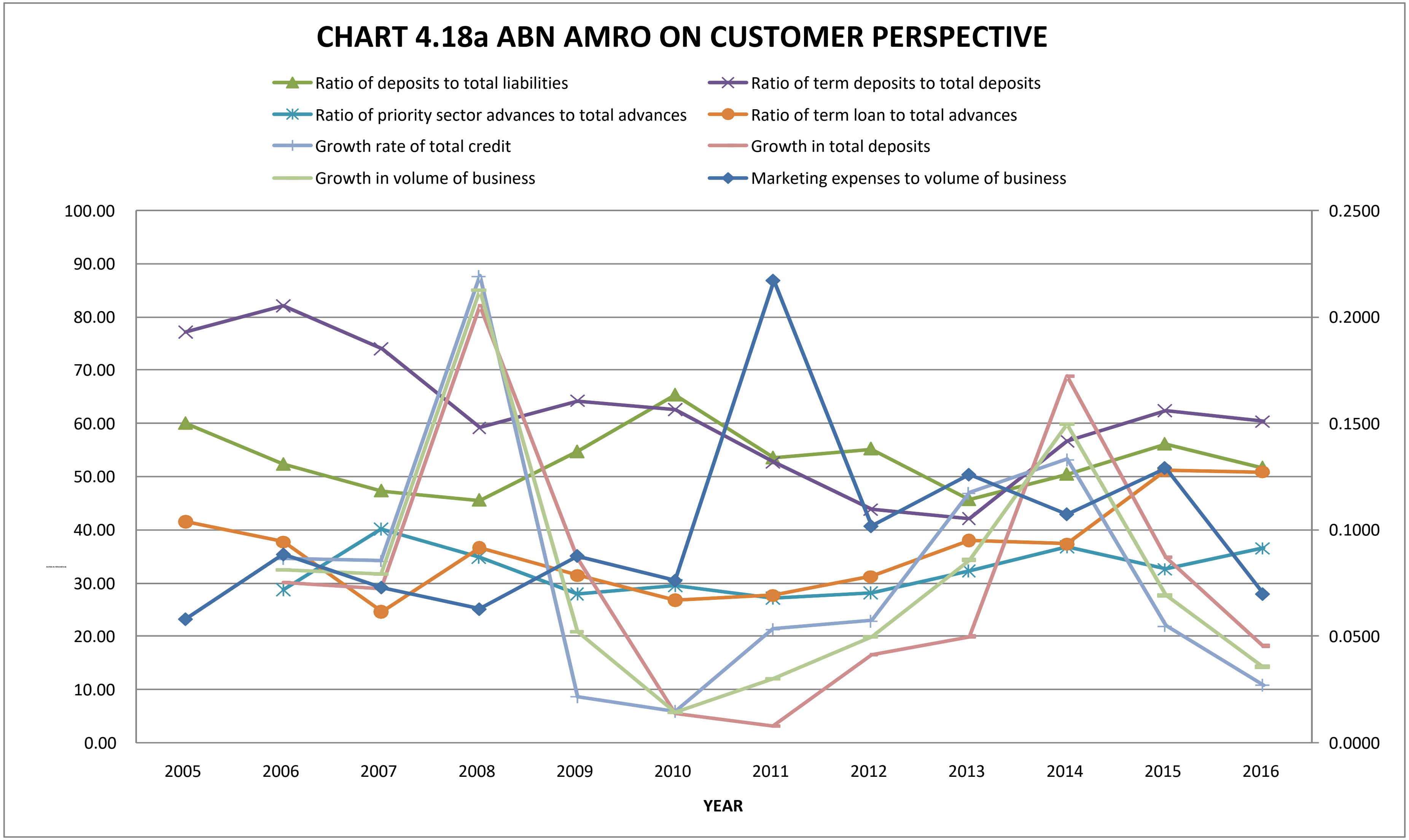


CHART 4.18a ABN AMRO ON CUSTOMER PERSPECTIVE
Ratio of deposits to total liabilities
Ratio of term deposits to total deposits
Ratio of priority sector advances to total advances
Ratio of term loan to total advances
Growth rate of total credit
Growth in total deposits
Growth in volume of business
Marketing expenses to volume of business
100.00
90.00
80.00
70.00
60.00
50.00
40.00
30.00
20.00
10.00
0.00
0.2500
0.2000
0.1500
0.1000
0.0500
0.0000
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
YEAR

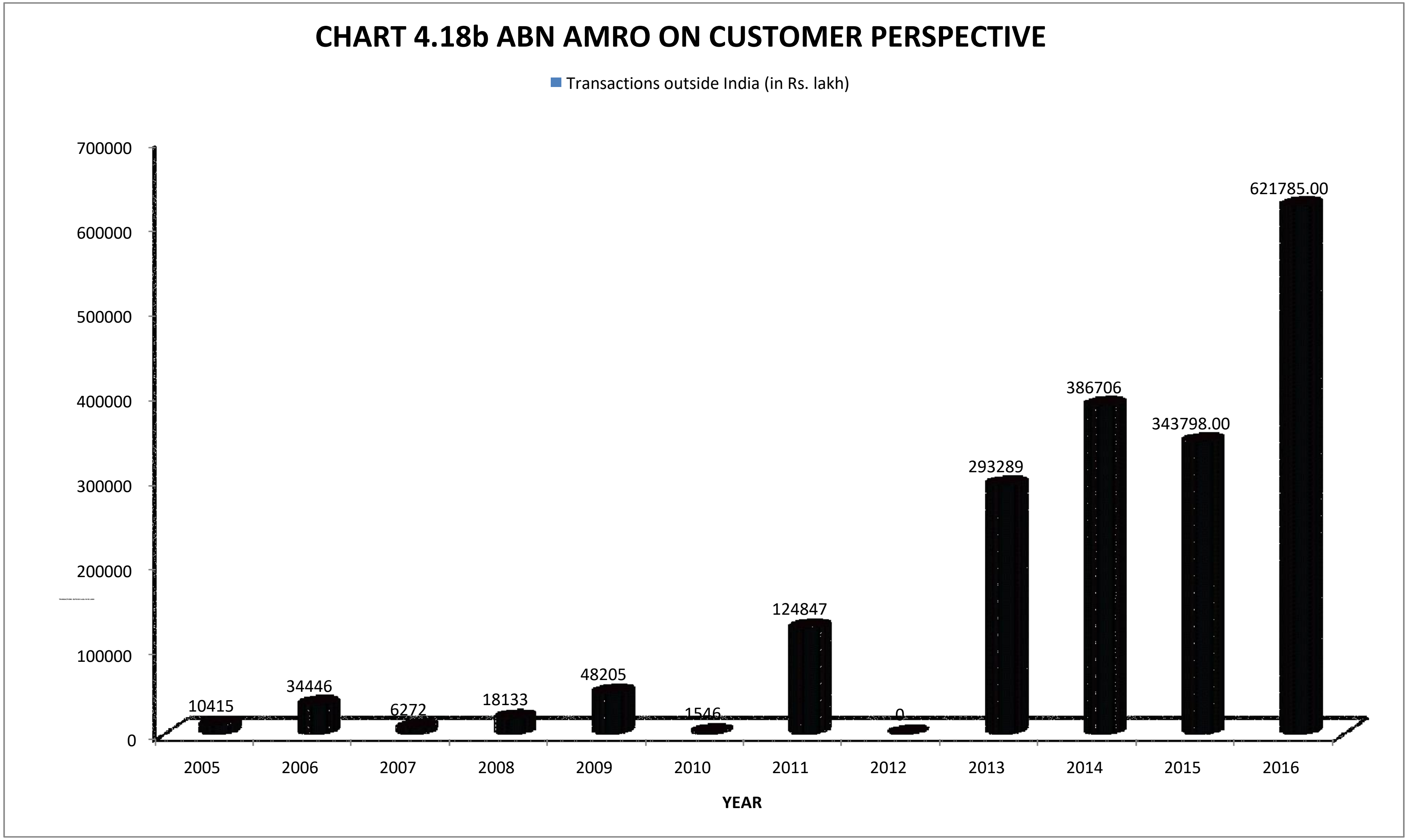


CHART 4.18b ABN AMRO ON CUSTOMER PERSPECTIVE
Transactions outside India (in Rs. lakh)
700000
600000
500000
400000
300000
200000
100000
0
10415
34446
6272
18133
48205
1546
124847
0
293289
386706
343798.00
621785.00
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
YEAR

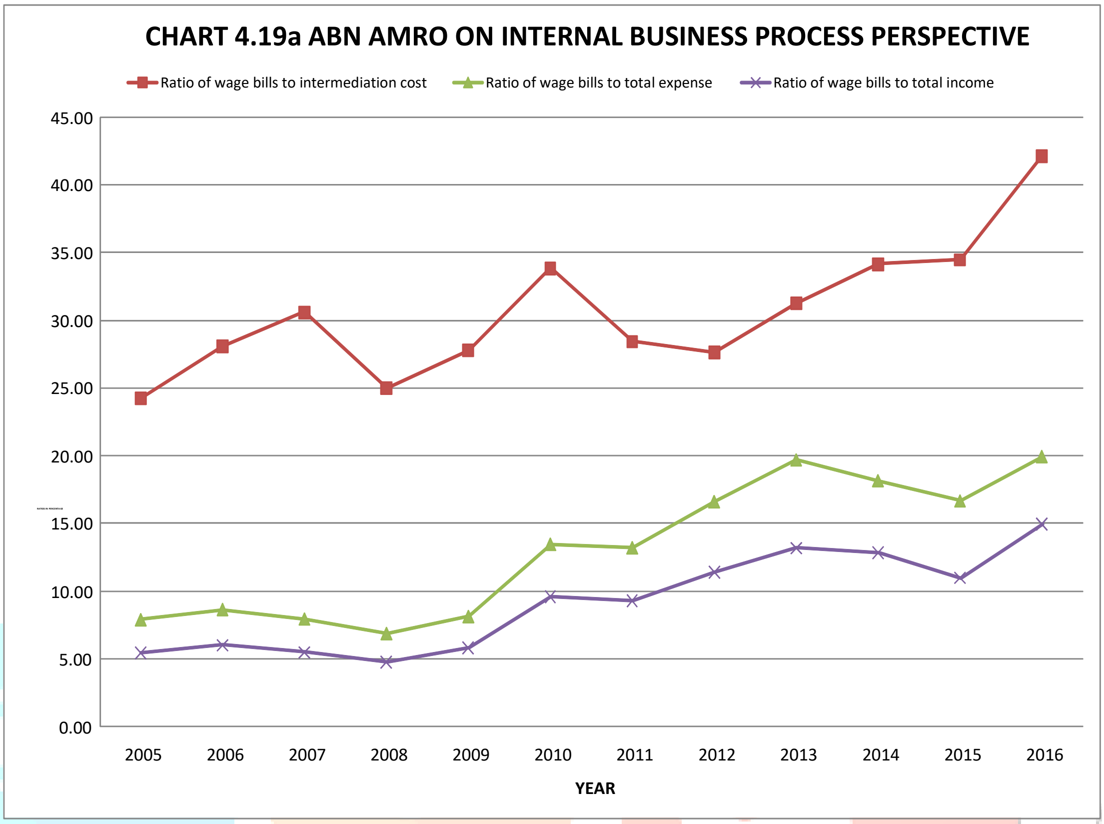
The bank is not much involved in transactions outside India. This indicator has shown very high variance, although the volume of transactions outside India seems to have increased lately. All these transactions involve borrowings from other countries, which have increased from Rs.10415 lakh in 2005 to Rs.621785 lakh in 2016, with the mean value of Rs.157453.5 lakh. This is not significantly different from the average of all commercial banks. Except for HDFC Bank, all other banks are involved in foreign transactions of much larger proportions. One of the reasons why ABN AMRO is not involved in transactions outside India is because it is a foreign bank, and only the Indian subsidiary is under consideration here. The bank seems to have performed well in the area of mobilization of deposits. The average growth rate of deposits is 31.185 per cent, which is significantly high compared to the average of all commercial banks, which is merely 17.755 per cent. However, the bank can aim at greater volume of deposits across all categories by expanding its banking activities in India. It is also important to concentrate on stabilizing the growth rate of total deposits, as the last decade has shown much volatility and a clear trend is absent, as the growth rate ranged between the lowest level of 3.23 per cent and 81.97 per cent.

The ratio of term deposits to total deposits is not significant with the mean value of 61.368 and a very high variance of 148.387. The ratio declined from 77.12 in 2005 to 42.04 in 2013, and then increased to 60.29 in 2016. This implies that the majority of the deposits collected by the bank are long term deposits, as the long term deposit rates may be quite competitive, and a long history of sound business allows customers to trust the performance of the bank in the future. Still, the bank can improve upon this through greater focus on long term deposit mobilization from across the economy. The ratio of deposits to total liabilities is the lowest among all banks selected here, with the mean value being only 53.136. This is significantly lower than the average of all commercial banks as well. The trend shows much volatility, with the ratio declining initially from 59.99 in 2005 to 45.54 in 2008, and then picking up to 65.33 in 2010, before declining again to the level of 45.64 by 2013. The ratio increased to 51.65 by 2016. It remains to be seen whether the bank is able to maintain this upward trend for long in future or not.

Overall growth in the volume of business also declined from 32.40 per cent in 2006 to 5.73 per cent in 2010. This increased to 59.746 per cent by 2014, before declining again to 14.27 by 2016. Chart 4.18a shows that the growth rate of volume of business moves is in high correlation with growth rate of total credit and growth rate of total deposits. This is inevitable since volume of business is defined as the sum total of credit advancements and deposits. Moreover, annual growth rates of both credit and deposit have moved very closely over the last decade. The average growth rate of volume of business is 31.22 per cent, which is significantly high as compared to the average growth rate for all commercial banks. Relatively higher growth rate of credit and deposits has resulted in higher growth rate of volume of business. On the other hand, total marketing expenses have increased continuously from Rs.132 lakh to Rs.2748 lakh, with an average of Rs.1532.17 lakh. This average is significantly higher compared to the aggregate mean value of all commercial banks. Consequently, the ratio of marketing expenses to volume of business has also increased considerably from 0.0581 in 2005 to 0.1259 in 2013. Although the ratio declined considerably to 0.0699 in 2016. The mean value of 0.09979 is significantly high as compared to the mean value of all commercial banks. Moreover, the ratio is much higher compared to all the banks under consideration here, except the HDFC Bank. This indicates that ABN AMRO has paid a lot of attention to marketing its products, which is essential for successful expansion of its business in the long run.

C. Internal Business Processes:

Chart 4.19a indicates performance of the indicators related to the wage bills of the employees. Ratio of wage bills to total income shows an upward trend from 5.42 in 2005 to 14.97 in 2016. The mean value is 9.134, which is significantly lower compared to the aggregate average of all commercial banks. This implies that either less expenditure is incurred on the wages of employees or the revenue generation is very high. Considering that the bank has very limited spread in India, and mostly in merchant banking, both these reasons seem to be valid. This is evident from fairly high amount of business per employee and profit per employee. On the other hand, the ratio of wage bills to total expenses has increased in a slightly greater proportion, from 7.89 in 2005 to 19.92 in 2016. The mean of the ratio is 13.09, which is again significantly lower compared to the average of all commercial banks. It is interesting to note that both these ratios are lower compared to the nationalized banks like the SBI and BOI, but higher than the Indian private sector banks like HDFC and ICICI. This implies that a foreign bank like ABN AMRO may chose to spend more on the wage bill for its offshore business activities compared to domestic private banks. Lower values of both these ratios compared to the commercial banks in general also indicates that the efficiency of the employees is much higher compared to an average employees in a typical commercial bank. This points towards the soundness of internal business processes of the bank.



This conclusion is further consolidated by the ratio of wage bills to intermediation cost. This ratio has increased from 24.22 to 42.16 during the last decade. Although the absolute growth rate has been almost ten per cent, the mean value is 30.63 and the variance is 24.754, both of which are way below the corresponding statistics for all commercial banks, which are 62.402 and 36.064 respectively. Thus the ratio is highly significant, and indicates much greater efficiency of employees compared to the commercial banks in general. Lower wage bill ratio also indicates that the bank has been paying more attention to infrastructural development and technological up-gradation of banking activities.

Chart 4.19b indicates the average productivity and average profit earning ability of the bank employees. Average productivity, measured by business per employee, has shown a rising trend. Business per employee increased from Rs.731.53 lakh in 2007 to

Rs.1070.26 lakh in 2016, which is a 46 per cent growth in ten years. The mean value is Rs.878.415 lakh, which is very high, compared to the aggregate of all commercial banks, rendering the indicator very high level of significance. Even the variance is quite low at 10111.338, the lowest among all the banks considered here as well as all commercial banks in general, pointing towards the high capabilities of the employees to generate high volume of business. In fact ABN AMRO employees have been able to generate largest volume of business in India, as compared to the remaining four banks included in the sample.

Profit per employee shows much greater volatility, as it decreased from Rs.17.55 lakh in 2007 to Rs.3.80 lakh in 2009, and then increased to Rs.15.22 lakh in 2012, only to decline again to Rs.8.15 lakh in 2014. It again settled down to 7.66 lakh in 2016. The average profit per employee is 11.324 lakh, which is largest among all the banks selected in this sample and significantly greater compared to all commercial banks aggregate. The only area of concern is the high variance of 16.197, which is way above the rest of variances measured for this indicator. If the bank wants to ensure sound performance in future when it aims to expand its business in India, it needs to maintain stable profit levels, since it is clear that the volatility is more due to fluctuations in the profit levels rather than the increase in number of employees.

D. Learning & Growth Perspective:

Chart 4.20a shows progress of the bank as far as adoption of modern methods of monetary transactions is concerned. The chart reveals that the bank has been little slow and a late starter in this field.

Till the end of the year 2014, the bank had no operating ATMs in India. This is partly explained through the very limited operations and limited infrastructure in India. However, with the possibility of expansion of its activities in India, the bank has installed 116 ATMs by 2016, and ranks thirty fourth among all banks in the country. The bank started issuing debit card very late – only in the year 2012. The number of debit cards issued by the bank increased from 3 lakh to 11 lakh by 2016, which is almost four times growth. The bank is at the fifteenth position as far as the number of debit card holders is concerned. Performance of the credit card indicator is better. The bank started issuing credit cards in 2003. Its base of credit card holders increased by almost 12 times from 1.25 lakh in 2011 to 15 lakh in 2016. This has improved the ranking of the bank from the tenth position to the sixth in the country in the spread of credit cards. Once again, considering the limited nature of operations of ABN AMRO, this is a good progress in a short span.

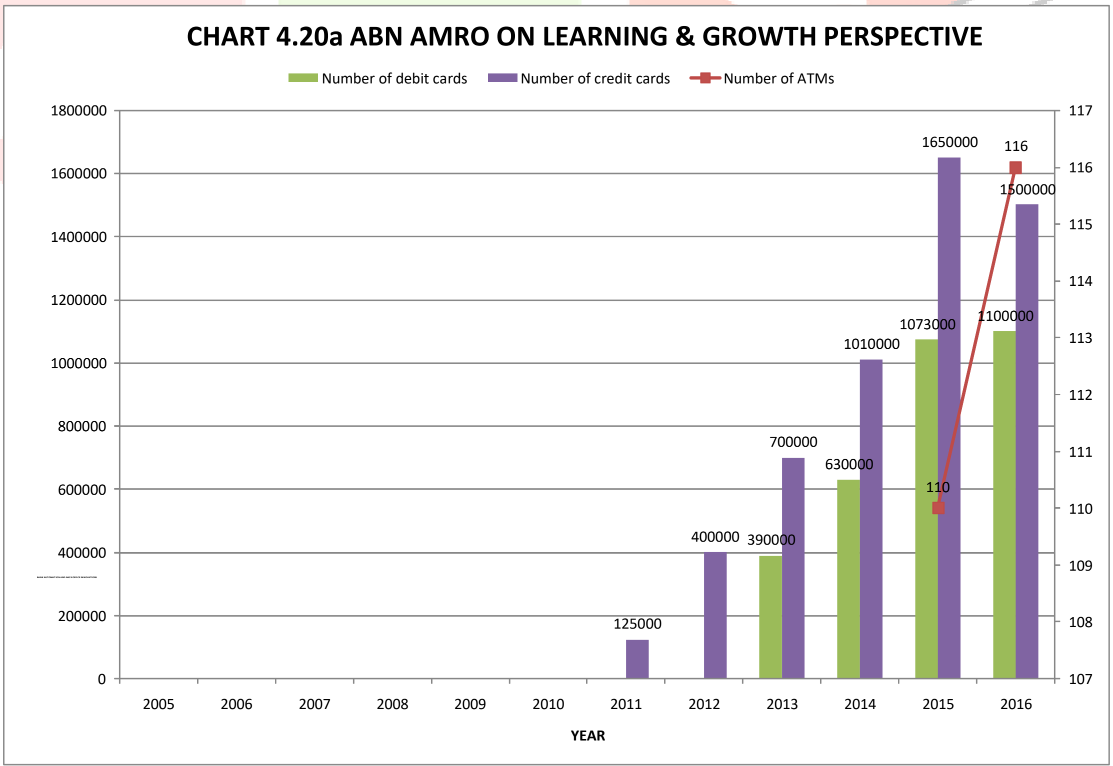
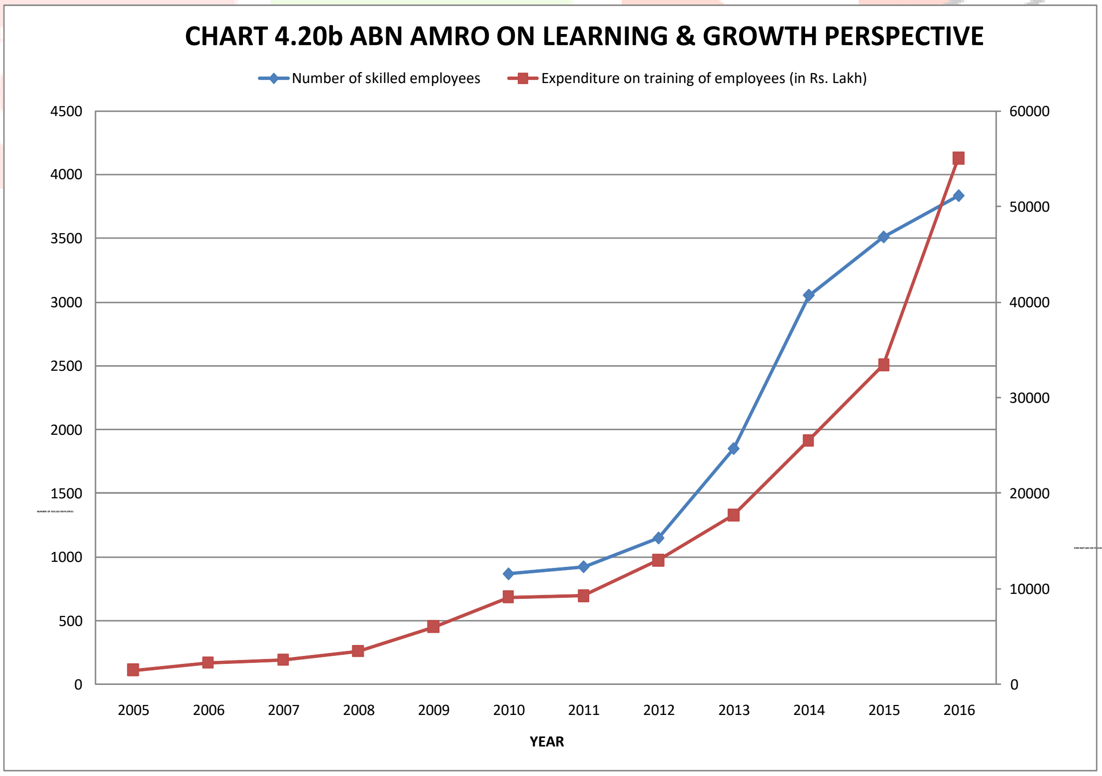


Chart 4.20 b indicates growth of the employees' base in the bank. This includes two performance indicators, namely, expenditure on the training of employees and growth in the number of skilled employees. These indicators show contradictory behavior, although both are highly significant. The expenditure on training of employees increased from Rs.1459 lakh in 2005 to Rs.55108 lakh in 2016. This is a 38 times rise, but the mean value of 14904.42 is the second lowest among all banks selected here. The mean value is also lower than the aggregate expenditure made by all commercial banks in general, which is 21723.95. This implies that the bank has not focused much on training and skill enhancement of the employees. This may be due to the very limited number of employees employed by the bank in India and a policy to directly recruit skilled employees, rather than concentrating upon skill improvement after recruitment. However, the rising trend is a positive sign that the bank may be changing its recruitment and training policies.



The number of skilled employees of the bank offices in India increased from 868 in 2010 to 3832 in 2016. In absolute terms, this is the smallest number of highly skilled employees among the five banks' sample selected here. However, the growth rate in skilled employees has shown much better performance as it increased from 6.45 per cent in 2011 to 64.92 per cent in 2014, before declining to 9.24 with the mean value of 30.163. The mean growth rate of skilled employees is significantly greater than the mean of all commercial banks. This clearly indicates that with the focus on expansion of its offshore banking activities as mentioned in its objectives, the bank has indulged into recruitment of highly skilled, specialized banking officials in India. This is bound to help the bank in attaining its long term vision.

CONCLUSION:

Analysis of the Balanced Scorecard for ABN AMRO bank shows that constructing a BSC performance system brings to the fore the strategic thinking of the banking organization, and links the role and responsibilities of the people within it. This is essential since financial performance alone does not give a clear picture of how the bank has progressed. Including other performance indicators in the analysis brings a refreshing change in the way tasks are performed as new policies and procedures are developed and implemented in a bank. This leads to a conclusion that BSC is more advanced and efficient tool for performance evaluation and strategic management in a bank – be it a nationalized bank, a private bank or a foreign bank operating in the country. A comparative analysis of the conventional performance indicators, which mainly include financial indicators, on one hand and performance indicators included in the BSC on the other, is needed to prove this point.

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