Management Control Systems in Nepalese Commercial Banks

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Abstract
Purpose *– The purpose of this study is to examine whether the mechanisms of MCS have been adequately developed and applied in the Nepalese commercial banks or not.*
Methodology Used *– Descriptive and analytical research designs have been used for the study. Primary data have been collected through the questionnaires using convenience and judgmental sampling from the Nepalese commercial banks. Questionnaires have been developed in five scales and mean, standard deviation, coefficient of variation, correlation and factor analysis have been used as tools. Cronbach's alpha test has been done to test the reliability of the data.*
Findings *– All the commercial banks have applied the mechanisms of MCS.*
Key words: *Management Control Systems*
Paper Type: *Research*

Background

A management control system (MCS) is a logical integration of techniques to gather and use information to make planning and control decisions, to motivate employee behavior, and to evaluate performance. It refers to the design, installation and operation of management planning and control systems. MCS is the formal, information based, routine and procedure managers use to maintain or alter patterns in organizational activities (Simons, 1995). Conventionally, the term "Management Control Systems" refers to the deployment of various techniques in hierarchical organizations in order to monitor and measure employee performance against certain management targets. In this sense, conventional MCS that focuses on improving operational effectiveness is no longer sufficient to create sustainable competitive advantages. MCS must be expanded to managerial practices that cultivate employee cooperation and creativity in the discovery and exploitation of new business opportunities (Cusumano, 1997). MCS embodies the techniques & mechanisms which companies employ to pursue strategies to accomplish goals successfully. MCS integrates, motivates, assists decision making, communicates objectives, provides feedback etc.

Management Controls fall into two general categories (Simon, 1995): the first category involves output controls in which specific outcomes, e.g. division profit and budget variances are measured, monitored, compared against expectations, and corrective action taken when appropriate. This category also includes administrative controls or action controls that involve formal rules, standard procedures and manuals, and monitoring compliance there with. The second category includes behavior control, personnel control and social control. This category involves such

controls as shared values and norms, along with group interaction to maintain them, selection and placement of personnel with desired skills and attitudes, work design and allocation and observation of the work behavior of personnel.

A well designed MCS aids and coordinates the process of making decisions and motivates individuals throughout the organization to act. It also facilitates forecasting revenue and cost-driver levels, budgeting, measuring, and evaluating performance (Kaplan & Atkinson, 2005). Anthony (1997) explained four steps in the MCS process in sequence as they are found in practice. They are programming, budgeting, execution and evaluation. Similarly, Jawahar Lal (2003) described three steps of MCS they are strategy formulation, management control and task control

Thus, MCS is the formal, information-based routine and procedure managers use to maintain or alter patterns in organizational activities. It facilitates the accomplishment of an organization's strategic objectives. It defines the decision space of individuals within an organization in order to affect their behavior (Simons, 1995). It can be defined as a system that comprises a combination of control mechanisms designed and implemented by management to increase the probability that organizational actors will behave in ways consistent with the objectives set for the organization. It is a process for motivating and inspiring people to perform organizational activities that will help to achieve the organizational goals. It is also a process for detecting and correcting unintentional performance errors and intentional irregularities, such as theft or misuse of resources.

Mechanisms of Management Control System

The different mechanisms of MCS are Total Quality Management, Time Based Management, Activity Based Costing, Balance Score Card, Bench Marking, Re-engineering, Shareholder Value Analysis and Continuous Improvement Process.

a) Total Quality Management is defined as a philosophy of management that is driven by continued improvement and responding to customer needs and expectations. Different elements of TQM are "Customer Satisfaction, Continuous Improvement, Standardized Product Quality, Employee Involvement and Decision Making and Top Management Commitment".

b) Time Based Management is the management philosophy which places highest value to time as a scarce resource. This philosophy enlightens managers to properly divide their time and optimally utilize & manage it efficiently and effectively. Different elements of TBM are "Time Resource, Time Saving Pattern, Time Management Technique, Category Activities and Productivity Consciousness".

c) The **Activity-Based Costing** is a costing system which focuses on activities performed to produce products. ABC is that costing in which costs are first traced to activities and then to products. Different elements of ABC are "Activity Costing, Major Activities, Cost to Cost Pool, Cost Activity and Cost Driver".

d) The **Balanced Scorecard** translates an organization's mission and

strategy into a comprehensive set of performance measures that provides the framework for a strategies measurement and management system. Different elements of BSC are "Financial Perspective, Customer Perspective, Internal Business Process and Learning and Growth".

e) Re-Engineering refers to a radical redesign of all or part of a company's work processes to improve productivity and financial performance. Different elements of RE are "Degree of Re-design, Traditional Approach, Organization Restructuring, Organization Effectiveness and Efficiency and Re-engineering Incentives".

f) Bench Marking is the continuous process of measuring one's own product, services and activities against the best level of performance. These best levels of performance may be found either inside one's own organization or in other competing organizations or in organizations having similar processes. Different elements of BM are "Performance Benchmarking, Improvement Effort, Management Commitment and Benchmarking Types".

g) Shareholder Value Analysis calculates the value of a company by looking at the returns it gives to shareholders, and is based on the view that the objective of company directors is to maximise the wealth of the company's shareholders. Different elements of SVA are "Estimating Shareholder Value, Wealth & Profit and Use of Shareholder Value.

h) Continuous Improvement Process is an ongoing effort to improve product, services or processes. These efforts can seek "incremental" improvement over time or "breakthrough" improvement all at once. Different elements of CIP are "Implementing Continuous Improvement, Involvement of Employee, Customer Satisfaction and Organization Quality and Performance.

Commercial Banks in Nepal

A bank can be defined as the financial intermediary between depositors and entrepreneurs. The intermediation takes place when banks accept deposit from general public, corporate bodies and private organizations and deploy that deposit for profitable purposes in the forms of loans and advances. A bank is also a financial service institution that generates its earnings primarily by means of intermediations. A bank or banker is a dealer in debts, his own and other people's (Shekhar & Shekhar, 2000).

According, to Nepal Commercial Bank Act 2031 B.S. "A commercial bank refers to such type of bank which deals in money exchange, accepting deposits and advancing loans and other commercial transactions other than some special functions performed by specified bank such as co-operative, agriculture and industrial bank."

List of Commercial Banks in Nepal

S.N.	Names	Operation Date
1	Nepal Bank Limited	1957
2	Rastriya Banijya Bank	1966
3	Agriculture Development Bank Limited	1968
4	Nabil Bank Limited	1984
5	Nepal Investment Bank Limited	1986
6	Standard Chartered Bank Nepal Limited	1987
7	Himalayan Bank Limited	1993
8	Nepal SBI Bank Limited	1993
9	Nepal Bangladesh Bank Limited	1994
10	Everest Bank Limited	1994
11	Bank of Kathmandu Limited	1995
12	Machhapuchhre Bank Limited	2000
13	Kumari Bank Limited	2001
14	Laxmi Bank Limited	2002
15	Siddhartha Bank Limited	2002
16	Global Bank Limited	2007
17	Citizens Bank International Limited	2007
18	Prime Commercial Bank Limited	2007
19	Sunrise Bank Limited	2007
20	Development Credit Bank Limited	2008
21	NMB Bank Limited	2008
22	Prabhu Bank Limited	2009
23	Janta Bank Limited	2010
24	Megha Bank Limited	2010
25	Civil Bank Limited	2010
26	Century Commercial Bank Limited	2010
27	Sanima Bank Limited	2011
28	NIC Asia Bank Limited	2013

(Source: Commercial Banks_in_Nepal, 2016)

Objectives of the Study

The main objectives of the study are to analyze:

- If the mechanisms of MCS have been adequately developed and applied in the Nepalese commercial banks or not
- Whether all the elements of MCS mechanisms have been considered to be equally important by all the selected banks or not
- If all the commercial banks have adopted mechanisms of MCS in equal degree or not

Rationales of the Study

The rationales of the present study are:

1. The study will be definitely an eye opener to the management of the concerned banks regarding how far their banks have been able to utilize the modern concept of MCS.
2. Not only to the concerned but other organizations in different industries can also apply MCS approaches for betterment of their organization
3. The present research will be important for the future researchers also as they have insights about how to carry out research on different organizations using the MCS with suitable methodology.

Limitations of the Study

The study has been exposed to the following limitations:

1. Out of total twenty eight commercial banks in Nepal only six commercial banks have been considered.
2. Only eight mechanisms of MCS have been tested, i.e. TQM, TBM, BSC, ABC, BM, RE, CIP AND SVA.
3. Interviews with top, middle level and lower level employees have been taken.

Review of Previous Studies

The literature review has indicated that management control system and organization performance are related. MCS influences in organization performance. MCS is function of organizational strategy and organizational structure which determines the financial responsibility assigned to managers (Vancil, 1973). Two distinct objectives, i.e. managerial objectives and technical objectives can be accomplished by means of MCS. Management should focus on the effectiveness of the MCS rather than the degree of sophistication of MCS (Bhattacharya & et. al., 1975). MCS should not be limited to operational level but should be expanded to strategic level (Kimura & et. al., 2000).

Organizational transformation is situated between design and mobilization of management control systems. A management control system is never in the point of equilibrium, but always in the phase of transition (Mouritsen, 2005).

All managers, either of profit or non-profit making organizations, use control system of one form or another. As the organization grows in size and complexity, the control system also tends to be from simple to sophisticate (Rotch, 1993). Even the managers of NPOs have been found to have widely used MCS to improve their organizational effectiveness. MCS is a necessary tool for leading an organization efficiently towards its goals (Baraldi, 1998). It is more important to analyze MCS in combinations than single MCS. MCS, in practice, is built by implementing appropriate combinations, i.e. MCS mixes (i.e. TQM, TBM, ABC, BSC, BM, RE, EVA, PM, TOC, MRP, VCA, CIP and SVA etc. (Wingren et. al., 2003).

Although various studies have been conducted on MCS, most of them have focused on the importance of MCS. And most of the research studies have tried to analyze the application of MCS in different organizations, such as manufacturing, service, profit making and non-profit making.

The present study has examined the nature & magnitude of application of MCS in the Nepalese commercial banks.

Methodology Used

This study has followed both descriptive and analytical approach of research. A questionnaire survey has been conducted for getting the answer of research questions. Both primary and secondary data have been analyzed using the analytical statistical tools; the means and the standard deviation, coefficient of variance, correlation and factors have been calculated for analyzing the responses.

There are total of twenty eight commercial banks in Nepal, which constitute the population of the study. For this study, only four commercial banks, i.e. Standard Chartered Bank, Himalayan Bank Limited, Nabil Bank Limited and Kumari Bank Limited have been selected as sample banks. Selection of sample banks was based on convenience and judgmental basis.

The eight-page questionnaire including 100 questions, were distributed to twenty four top, middle and lower level employees of various departments of each bank.

Respondent's Profile

a) Gender Wise Respondents

Name of the Banks	Male (No.)	%	Female (No.)	%	Total
Standard Chartered Bank Limited	14	14.58	10	10.42	24
Nabil Bank Limited	16	16.67	8	8.33	24
Kumari Bank Limited	13	13.54	11	11.46	24
Himalayan Bank Limited	15	15.63	9	9.37	24
Total	**58**	**60.42**	**38**	**39.58**	**96**

Above table depicts the characteristics of the respondents' gender wise. Majority of respondents were males, i.e. 60.42%. But female respondents were also satisfactory in number, i.e. 38 out of 96. The reason behind low number of female respondents is that all banks have high number of male employee.

b) Age Wise Respondents

Name of the Banks	below 30	%	30-40	%	40 - 50	%	above 50	%	Total
Standard Chartered Bank Ltd.	6	6.25	11	11.47	4	4.17	3	3.12	24
Nabil Bank Limited	0	0	12	12.5	8	8.33	4	4.17	24
Kumari Bank Limited	8	8.33	12	12.5	4	4.17	0	0	24
Himalayan Bank Limited	3	3.12	12	12.5	6	6.25	3	3.12	24
Total	**17**	**17.70**	**47**	**48.97**	**22**	**22.92**	**10**	**10.41**	**96**

Above table presents the characteristics of respondents' age wise. Majority of respondents were found to be between 30 to 40 years group, i.e. 48.97%. Very few respondents fall in the category of above 50 years group, i.e. 10.41%. Respondents in category 40 to 50 years group were higher than below 30 years, i.e. 22.92% is greater than 17.70%.

Reliability Test of Variables

S.N.	Code	Variables	Reliability %
1	TQM	Total Quality Management	79.3
2	TBM	Time Based Management	77.7
3	BSC	Balance Score Card	93
4	ABC	Activity Based Costing	86
5	BM	Benchmarking	92.8
6	RE	Re-Engineering	85.6
7	SVA	Shareholder Value Analysis	91.4
8	CIP	Continuous Improvement Process	93.5
		Overall Reliability	**98**

Cronbach's Alpha test has been done to test the reliability of data. Each and every variable has been tested and it was found that every variable reliability test was above 67%. Maximum 93.5% reliability has been seen in variable CIP and 77.7% minimum reliability has been seen in TBM. In other cases all the variables reliability has been above 79%. This clearly indicates that Cronbach's Alpha test was accepted.

Five points Likert scale ranging from the best/most acceptable (rating scale of 5) to the worst/most unacceptable (rating scale of 1) has been extensively used to analyze and interpret the subjective answer of the respondents. It was done on the basis of average i.e. value of MCS 3 indicates that banks have applied these approaches moderately. If the value is more than 3 it is either good or best. Similarly, if the value is less than 3 it is either bad or worst

Method of Analysis

Application of MCSs in Nepalese Commercial Banks

A. Analysis of Total Quality Management

S.N.	Name of the Banks	CS	CI	SPQ	EIDM	TMC	Total	Mean	S.D.	C.V.
1	Standard Chartered Bank Ltd.	3.38	3.44	3.31	3.88	4.25	**18.26**	**3.65**	**0.4**	**10.95**
2	Nabil Bank Limited	3.08	3.25	3.08	3.22	3.39	**16.02**	**3.20**	**0.13**	**4.06**
3	Kumari Bank Limited	2.42	3.00	3.17	2.33	2.44	**13.36**	**2.67**	**0.38**	**14.22**
4	Himalayan Bank Limited	3.38	3.06	3.00	2.83	3.33	**15.60**	**3.12**	**0.23**	**7.37**

CS (Customer Satisfaction) consists of customer satisfaction related variables like consideration of customers' wants & expectation, addressing to their complaints & feedback.

In all the banks, except KBL, the value has been above average, i.e. 3. In case of SCB and HBL, highest value has been found, i.e. 3.38 and in case of KBL, it has been the lowest, i.e. 2.42 compared to others. This indicates that SCB's and HBL's performance in terms of

customers' satisfaction seems to be the best.

CI (Continuous Improvement) contains organizational efforts towards gradual but continuous improvement, i.e. improvement of polices implementation and technology etc.

The value of 'CI' has been above average, i.e. 3 in all the banks. Highest value has been observed in case of SCB, i.e. 3.44. This shows that SCB's has good organizational efforts towards gradual but continuous improvement on policies, its implementation and technology etc.

SPQ (Standardized Product Quality) inquires into organization's effort to maintain the standardized product quality consistently, i.e. job rotation.

In all the banks, the value of 'SPQ' has been above average, i.e. 3. Highest value has been found in case of SCB, i.e. 3.31. This shows that SCB has been best at its organizational efforts to maintain the SPQ consistently.

EIDM (Employee Involvement and Decision Making) entails how far employees are encouraged to participate in decision- making and problem-solving. This includes individual or group creativity.

Only in SCB and Nabil the value of 'EIDM' have been above average but in case of other banks it has been below average. In case of KBL it was only 2.33. Highest value has been observed in case of SCB, i.e. 3.88. This shows that SCB has given more opportunity to its employees to participate in decision making and problem solving.

TMC (Top Management Commitment) has been the most important part of the TQM, since without the commitment of top level management, TQM is merely a dream.
In all the banks, the value of 'TMC' has been above average, i.e. 3 except in case KBL which was below average i.e. 2.44. In this context, SCB excels all the banks, i.e. 4.25. This shows that SCB has the highest degree of TMC.

From the above table, it has been clear that the mean TQM in all the banks has been above average, i.e. 3 except in case of KBL, which were only 2.67. This clearly indicates that all the banks have been found adhering to the principle of TQM. Highest value has been observed in case of SCB, i.e. 3.65. This means SCB was the best in practicing TQM principles.

In all the cases, the value of standard deviation has been below 1 and coefficient of variation has been 4.06% to 14.2%, which indicates that the average was more representative across the banks and across the different components of TQM.

b. Analysis of Time Based Management

S.N.	Name of the Banks	TR	TS	TMT	CA1	PC	Total	Mean	S. D.	C.V
1	Standard Chartered Bank Ltd.	5.00	4.50	4.00	4.25	4.13	**21.88**	**4.38**	**0.39**	**8.91**
2	Nabil Bank Limited	3.83	3.42	3.75	4.33	3.89	**19.22**	**3.84**	**0.33**	**8.58**
3	Kumari Bank Limited	3.00	2.58	3.50	4.50	4.17	**17.75**	**3.55**	**0.8**	**22.54**
4	Himalayan Bank Limited	3.75	3.31	3.38	4.25	4.13	**18.82**	**3.76**	**0.43**	**11.42**

TR (Time Resource) analyzes whether time has been accepted as the most important resource in the organization or not.

In all the banks, the value has been above average, i.e. 3. In case of SCB, it has been (i.e. 5.00) the highest and in case of KBL, it has been the lowest, i.e. 3.00. This indicates that in SCB was more committed in accepting time as the most important resource in the organization.

TS (Time Saving Pattern) is concerned with an attempt that has been made to explore the time saving pattern in the banks.

The value has been above average, i.e. 3 in all the banks except in case of KBL. In KBL, it was only 2.58. This shows that KBL has relatively worst time saving pattern of all.

TMT (Time Management Technique) has been made to explore the different techniques used by the employees to manage time. As a matter of fact, this examines the validity of the time utilization.

In all the banks, the value of 'TMT' has been above average, i.e. 3. In case of SCB, it has been the highest, i.e. 4 and in case of HBL, it has been the lowest, i.e. 3.38. This shows that employees of all the banks have used different techniques for managing time effectively.

CA1 (Category Activities) includes the activities prioritized by the employees. This provides a glimpse of how activities are dealt with by the employees.

All the banks have recorded the value above average, i.e. 3. KBL has scored the highest, i.e. 4.5 compare to others. This shows that in terms of 'CA1', employees of all the banks have given high priority to the different activities.

PC (Productivity Consciousness) explains the degree of consciousness and commitment of employees over productivity.

In all the banks, the value of 'PC' has been above average, i.e. 3. Highest value has been observed in case of KBL, i.e. 4.17 and the lowest value has been observed in case of Nabil, i.e. 3.89. Comparatively, KBL's employees have high degree of consciousness & commitment over productivity.

From the above table, it is observed that mean TBM in all the banks has been above average, i.e. 3. This indicates that all the banks used the principles of TBM. In case of SCB, the value has been 4.38 and in case of KBL it has been 3.55, the highest and the lowest respectively. In other words, all the sample banks' TBM performance has been satisfactory and comparatively equal.

In all the banks, the value of standard deviation has been below 1 and coefficient of variation has been 8.58% to 22.54%, which indicates that the average has been more representative across the banks and across different components of TBM and hence mean was trustworthy.

c. Analysis of Balance Scorecard

S.N.	Name of the Banks	FP	CP	IBP	LG	Total	Mean	S.D.	C.V
1	Standard Chartered Bank Ltd.	4.38	3.88	4.13	3.71	**16.10**	**4.03**	**0.29**	**7.20**
2	Nabil Bank Limited	4.25	3.83	3.42	3.11	**14.61**	**3.65**	**0.5**	**13.69**
3	Kumari Bank Limited	2.50	2.17	2.17	1.72	**8.56**	**2.14**	**0.32**	**14.95**
4	Himalayan Bank Limited	3.56	3.50	2.88	2.92	**12.86**	**3.22**	**0.36**	**11.20**

FP (Financial Perspective) analyzes the role played by the banks to increase shareholders' wealth.

In all the banks, the value has been above average, i.e. 3 except in KBL. In case of SCB it was the highest, i.e. 4.38 and in case of KBL it was lowest, i.e. 2.5. This indicates that all the banks have been more concerned about shareholders' interest.

CP (Customer Perspective) is concerned with an attempt that has been made to increase market shares and clientele satisfaction.

The value of 'CP' in all the banks has been above average, i.e. 3 except in KBL. In case of KBL has been 2.17, whereas in Nabil and SCB it has been 3.83 and 3.88 respectively. This shows that all the banks have been concerned about market shares and customer satisfaction.

IBP (Internal Business Process) is concerned with the activities reducing unnecessary cost in the banks.

This value has been higher than the average in all the banks except in KBL and HBL which are 2.17 and 2.88. Individually SCB outperforms all by scoring 4.13. In case of Nabil it has been 3.42. This shows that all the banks have made efforts to reduce unnecessary expenditure.

LG (Learning and Growth) has been made to explore the different techniques used by the banks to increase the skill of the employees, hiring new employees and minimizing employee turnover.
Only in the two banks, i.e. SCB and Nabil, the value of 'LG' has been above average, i.e. 3. In case of SCB, it has been the highest, i.e. 3.71. But in other banks it has been below average. In case of KBL, it was the lowest, i.e. 1.72. This shows that management of all the banks has used different techniques for the employee development.

From the above table, it is observed that mean BSC in all the banks has been above average, i.e. 3 except in case of KBL which has been 2.14. This indicates that all the banks used the principle of BSC. In case of SCB, the value has been 4.03. In terms of BSC, all the banks have performed satisfactorily.

In all the cases, the value of standard deviation has been below 1 and coefficient of variation has been 7.2% to 14.95%; this indicates that the mean of different banks has been representative and trustworthy.

d. Analysis of Activity Based Costing

S.N.	Name of the Banks	AC	MA	CCP	CA	CD	Total	Mean	S.D.	C.V
1	Standard Chartered Bank Ltd.	4.06	4.13	4.13	4.13	4.50	**20.95**	**4.19**	**0.18**	**4.30**
3	Nabil Bank Limited	3.33	3.50	4.17	4.17	4.00	**19.17**	**3.83**	**0.39**	**10.17**
4	Kumari Bank Limited	2.67	2.33	2.00	1.83	1.83	**10.66**	**2.13**	**0.36**	**16.89**
5	Himalayan Bank Limited	3.25	3.63	3.00	3.38	3.13	**16.39**	**3.28**	**0.24**	**7.32**

AC (Activity Costing) consists of understanding the knowledge and significance of activity based costing principle in the banks.

In all the banks, the value has been near the average, i.e. 3 except in KBL. In case of SCB, it has been the highest, i.e. 4.06 and in case of KBL, it has been the lowest, i.e. 2.67. This indicates that all the banks have been aware of the concepts and use of activity based costing system.

MA (Major Activities) contains organizational efforts in identifying major activities that take place in the banks.

The value of 'MA' in all the banks has been above average, i.e. 3 except in KBL. Highest value (i.e. 4.13) has been observed in case of SCB and the lowest value (i.e. 2.33) has been observed in case of KBL. This shows that SCB has good organizational efforts to identify the major activities that take place in the banks.

CCP (Cost to Cost Pool) inquires into organization's effort to assign cost to cost pool, i.e. a group of individual costs that is allocated to cost objectives.

In all the banks, the value of 'CCP' has been near the average, i.e. 3 but in case of KBL it has been below average, i.e. 2.00. Highest value has been found in case of Nabil, i.e. 4.17. This shows that Nabil has been the best at its organizational efforts to assign cost to cost pool but KBL's performance in this regard is not satisfactory.

CA (Cost Activity) entails how far organizations accumulate overhead cost for each activity and assign the cost of activities to the product or services.

The value of 'CA' in all the banks has been above average except in case of EBL and KBL, which has been below average. Lowest value has been observed in case KBL, i.e. 1.83. In Nabil and SCB it has been 4.17 and 4.13 respectively. This shows that the performance of all the banks in terms of cost activity has been satisfactory except that of KBL.

CD (Cost Driver) involves the activities that determine the cost for each major activity.
In all the banks the value of 'CD' has been above average, i.e. 3 except in KBL which is 1.83. In case of SCB and Nabil it has been 4.5 and 4.00 each. This

shows that all banks have not effectively determined the cost for major activities.

From the above table, it is clear that mean ABC in all the banks has been near the average, i.e. 3. In case of SCB, it has been the highest, i.e. 4.19. This indicates that the performance of all the banks in terms of ABC has been somewhat satisfactory and somewhat unsatisfactory. SCB and Nabil have scored above the average; similarly, KBL have scored slightly below the average. In all the cases the value of standard deviation has been below 1 and coefficient of variation has been 4.3% to 16.89% which indicates that the average has been more representative across the banks as well as across the different components of ABC.

e. Analysis of Benchmarking

S.N.	Name of the Banks	PB	IE	MC	BT	Total	Mean	S.D.	C.V
1	Standard Chartered Bank Ltd.	4.38	4.44	4.25	4.38	**17.45**	**4.36**	**0.08**	**1.83**
2	Nabil Bank Limited	4.51	4.18	4.18	3.84	**16.71**	**4.18**	**0.27**	**6.46**
3	Kumari Bank Limited	3.67	2.51	2.17	2.51	**10.86**	**2.72**	**0.66**	**24.31**
4	Himalayan Bank Limited	4.13	3.25	3.25	3.25	**13.88**	**3.47**	**0.44**	**12.68**

PB (Performance Benchmarking) analyzes the role of the banks in increasing their performance.

In all the banks, the value has been above average, i.e. 3. In case of Nabil it was the highest, i.e.4.51 and in case of KBL it was the lowest, i.e. 3.67. This indicates that Nabil has been more concerned about the performance of the bank.

IE (Improvement Effort) is concerned with steps taken by the banks to increase their performance.

The value of 'IE' in all the banks has been above average, i.e. 3 except in KBL which was 2.92. It was the highest in case of SCB, i.e. 4.44. This shows that all the banks have recorded satisfactory performance in terms of 'IE'.

MC (Management Commitment) is concerned with the commitment of management in implementing benchmarking approaches.

Performance of all the banks in terms of 'MC' has been satisfactory because all of them have scored 3 or above except in case of KBL. However, Management of SCB and Nabil seem most committed in implementing benchmarking approaches of all which has been warranted by its highest scored 4.25 and 4.18. In other words, the management of all the banks has been committed to implement the approaches of benchmarking.

BT (Benchmarking Types) has been made to explore the different types of benchmarking used by the banks to increase the performance of the banks.

In all the banks, the value of 'BT' has been above average, i.e. 3 but KBL has been below average, i.e. 2.51. In case of SCB, it has been the highest, i.e. 4.38. This shows that management of all the banks has used different types of

benchmarking to increase the performance of the banks.

From the above table, it has been cleared that mean BM in all the banks has been above average, i.e. 3 except in case of KBL, (i.e. 2.72, which was near about 3). This clearly indicates that all the banks have been found adhering to the principle of BM. Highest value has been observed in case of SCB, i.e. 4.36. In case of Nabil and HBL the value has been 4.18 and 3.47 respectively.

To sum up, performance of all the banks in terms of benchmarking has been satisfactory. Since standard deviation in all the cases is below 1 and coefficient of variation has been between 1.83% and 24.31%. This clearly indicates that the mean can be safely accepted as representative.

f. Analysis of Re-engineering

S.N.	Name of the Banks	DR	TA	OR	OEE	RI	Total	Mean	S.D.	C.V
1	Standard Chartered Bank Ltd.	4.50	3.88	4.13	4.13	4.13	**20.77**	**4.15**	**0.22**	**5.30**
2	Nabil Bank Limited	3.67	3.17	3.34	3.51	3.51	**17.20**	**3.44**	**0.19**	**5.52**
3	Kumari Bank Limited	2.67	3.00	2.51	2.67	3.00	**13.85**	**2.77**	**0.22**	**7.94**
4	Himalayan Bank Limited	2.88	3.00	2.88	3.50	3.88	**16.14**	**3.23**	**0.45**	**13.94**

DR (Degree of Re-design) consists of radical redesign in the banks to improve productivity and performance.

In all the banks, the value has been above average except in KBL and HBL, i.e. 2.67 and 2.88 respectively which was near about 3. In case of SCB, it has been the highest, i.e. 4.5. This indicates that all the banks have made efforts to redesign their organizations to improve productivity and performance.

TA (Traditional Approach) explains the extent to which traditional approaches are questioned in the banks.
The value of 'TA' in all the banks has been equal to or above average, i.e. 3. Highest value has been observed in case of SCB, i.e. 3.88 and the value of KBL and HBL have been 3.0 each. This shows that in all the banks, traditional approaches were questioned.

OR (Organization Restructuring) entails how far organization structure was redesigned into the organization.

Except in case of SCB and Nabil all the banks have not performed satisfactorily in terms of OR. Highest value has been found in case of SCB and Nabil, i.e. 4.13 and 3.34 respectively indicating good performance of SCB and Nabil in organizational redesign.

OEE (Organization Effectiveness and Efficiency) explains how far banks are able to take and implement right decisions in most cost effective manner.

In all the banks, the value of 'OEE' has been above average except in case of KBL i.e. 2.67 (which was considered near about average). Highest value has been observed in case of SCB, i.e. 4.13. In HBL and Nabil it has been 3.5 and 3.51 respectively. This shows that SCB

has been more efficient and effective over the years.

RI (Re-engineering Incentives) involves the incentives to re-engineering activities.

The value of 'RI' in all the banks has been equal to or above average, i.e. 3. In case of KBL it was equal to average, i.e. 3.0. In case of SCB and HBL it has been 4.13 and 3.88 respectively. This showed that all banks have provided incentives to re-engineering to their employees but SCB leads all of them.

From the above table, it has been cleared that mean RE in all the banks have been equal to or above average, i.e. 3 except KBL which has value of 2.77(near to average). This clearly indicates that all the banks have been found adhering to the principles of RE.

In all the cases the value of standard deviation has been below 1 and coefficient of variation has been between 5.3% to 13.94%, which indicates that the average has been more representative across the banks as well as across the different components of RE.

g. Analysis of Shareholder Value Analysis

S.N.	Name of the Banks	ES	WP	US	Total	Mean	S. D.	C.V
1	Standard Chartered Bank Ltd.	4.25	4.44	3.58	**12.27**	**4.09**	**0.45**	**11.00**
2	Nabil Bank Limited	3.76	4.60	3.61	**11.97**	**3.99**	**0.53**	**13.28**
3	Kumari Bank Limited	2.76	3.08	2.56	**8.40**	**2.80**	**0.26**	**9.29**
4	Himalayan Bank Limited	4.06	4.19	3.00	**11.25**	**3.75**	**0.65**	**17.33**

ES (Estimating Shareholder Value) consists of estimating shareholder value of the banks.

In all the banks, the value has been above average except in KBL, i.e. 2.76 which was near about 3. In case of SCB, it has been the highest, i.e. 4.25. Similarly, HBL and Nabil have 4.06 and 3.76 respectively. This indicates that all the banks have made efforts to estimate shareholder value.

WP (Wealth and Profit) explains the extent to which banks have set the target of profit and emphasize the objectives of maximizing the wealth of the bank's shareholders.

The value of 'WP' in all the banks has been above average, i.e. 3. Highest value has been observed in case of Nabil and SCB, i.e. 4.6 and 4.44 respectively. Similarly, the lowest value has been observed in KBL, i.e. 3.08. This shows that all the banks have set the target of profit and tried to maximize the wealth of the bank's shareholders.

US (Use of Shareholder Value) entails how frequently banks have been applied and used shareholder value for taking long term financial decision and evaluate the performance of the banks.

Except in case of KBL all the banks have performed satisfactorily in terms of 'US'. Highest value has been found in case of SCB and Nabil, i.e. 3.58 and 3.61 respectively indicating good performance in using shareholder value.

From the above table, it has been cleared that mean SVA in all the banks have

been equal to or above average, i.e. 3 except KBL which has value of 2.8(near to average). This clearly indicates that all the banks have applied and used shareholder value for taking decision and evaluating the performance.

In all the cases the value of standard deviation has been below 1 and coefficient of variation has been 9.29% to 17.33%, which indicates that the average has been more representative across the banks as well as across the different components of SVA.

h. Analysis of Continuous Improvement Process

S.N.	Name of the Banks	IC	IE1	CS	OQP	Total	Mean	S.D.	C.V
1	Standard Chartered Bank Ltd.	4.81	4.25	4.38	4.50	**17.94**	**4.49**	**0.24**	**5.35**
2	Nabil Bank Limited	4.08	3.34	3.17	3.67	**14.26**	**3.57**	**0.4**	**11.22**
3	Kumari Bank Limited	2.67	2.00	2.51	2.67	**9.85**	**2.46**	**0.32**	**12.99**
4	Himalayan Bank Limited	3.88	3.00	3.00	3.46	**13.34**	**3.34**	**0.42**	**12.59**

IC (Implementing Continuous Improvement) is detailed procedure and effort to improve the services and to implement the approved policy.

In all the banks, the value has been above average except in KBL, i.e. 2.67, which was near about 3. In case of SCB, it has been the highest, i.e. 4.81. This indicates that all the banks have made efforts to improve the services and to implement the approved policy

IE1 (Involvement of Employee) explains the involvement of employees in making planning and decision making.
The value of 'IE1' in all the banks has been equal to or above average, i.e. 3 except in KBL which was 2.00. Highest value has been observed in case of SCB, i.e. 4.25 and the value of HBL was 3.0. This shows that in all the banks, except in KBL employees have been involved in planning and decision making procedure effectively.

CS (Customer Satisfaction) entails how far banks focus on improving customer satisfaction through CIP.

Except in case of KBL all the banks have performed satisfactorily in terms of CS. Highest value has been found in case of SCB and Nabil, i.e. 4.38 and 3.17 respectively indicating good performance of SCB and Nabil in improving customer satisfaction.

OQP (Organization Quality and Performance) explains how far banks are able to identify the area of opportunity and problem and focus their quality and performance.
In all the banks, the value of 'OQP' has been above average except in case of KBL, i.e. 2.67, which were considered near about average. Highest value has been observed in case of SCB, i.e. 4.5. In HBL and Nabil it has been 3.46 and 3.67 respectively. This shows that SCB has been more able to identify the area of opportunity and focus its quality and performance.

From the above table, it has been cleared that mean CIP in all the banks have equal to or above average, i.e. 3 except KBL i.e. 2.46(near to average). This clearly indicates that all the banks have

been found adhering to the principles of CIP.

In all the cases the value of standard deviation has been below 1 and coefficient of variation has been 5.35% to 12.99%, which indicated that the average has been more representative across the banks as well as across the different components of CIP.

Management Control Systems in Nepalese Commercial Banks

S.N.	Name of the Banks	TQM	TBM	BSC	ABC	BM	RE	SVA	CIP	Total	Mean	S.D.	C.V
1	Standard Chartered Bank Ltd.	3.65	4.38	4.03	4.19	4.36	4.15	4.09	4.49	**33.33**	**4.17**	**0.26**	**6.24**
2	Nabil Bank Limited	3.20	3.84	3.65	3.83	4.18	3.44	3.99	3.57	**29.71**	**3.71**	**0.31**	**8.35**
3	Kumari Bank Limited	2.67	3.55	2.14	2.13	2.72	2.77	2.80	2.46	**21.24**	**2.66**	**0.45**	**16.95**
4	Himalayan Bank Limited	3.12	3.76	3.22	3.28	3.47	3.23	3.75	3.34	**27.16**	**3.40**	**0.24**	**7.07**

In all the banks, the value of TQM has been above average, i.e. 3 except in case of KBL it was only 2.67 respectively. SCB leads all the banks in following TQM principles as indicated by its highest score, i.e. 3.65. To sum up, all the banks seem to have used the TQM approach in their organization.

The value of TBM in all the banks has been above average, i.e. 3. In case of SCB, Nabil, and HBL the scores are 4.38, 3.84 and 3.76 respectively. This shows that all the banks have applied the principles of TBM effectively.

Similarly, the value of BSC has been above average, i.e. 3 in all the banks except in case of KBL which was 2.14. It has ranged between 2.14 (of KBL) to 4.03 (of SCB). This shows that all the banks have followed the principles of BSC effectively.

In all the banks, the value of ABC has been near to average, i.e. 3.In case of SCB, it was the highest, i.e. 4.19 and in case of KBL, it was the lowest, i.e. 2.13. This is situation of dilemma since some banks have scored above 3 and some have scored below 3 (slightly below). This shows that management of some banks has effectively implemented the approach of ABC.

The value of BM in all the banks has been above average, i.e. 3 except in case of KBL which was only 2.72. In case of SCB it has been the highest i.e. 4.36. This indicates that all the banks have used the approach of BM in their organizations.

The value of RE has been above average, i.e. 3 in all the banks except in case of KBL, i.e. 2.77. In case of Nabil and HBL, it was 3.44 and 3.23 respectively. In SCB it was 4.15. This shows that all the banks seem to have followed the principle of RE effectively.

In all the banks, the value of SVA has been above average, i.e. 3 except in case of KBL which was only 2.8. SCB leads all the banks in following SVA principles as indicated by its highest score, i.e. 4.09. To sum up, all the banks seem to have used the SVA approach in their organization.

Similarly, in all the banks, the value of CIP has been above average, i.e. 3

except in case of KBL. In case of SCB and Nabil the scores were 4.49 and 3.57 respectively. This shows that all the banks have applied the principles of CIP effectively.

From the above table, it has been observed that different mechanisms of MCSs have been followed by all the sample banks (the values are above average, i.e. 3 except in case of KBL). However, SCB leads the other banks in this regard.

In all the cases, the value of standard deviation has been below 1 and coefficient of variation has been 6.24% to 16.95%. This clearly indicates the representative nature of the mean calculated. In other words, mean is dependable.

Correlation Matrix of Management Control System

R	TQM	TBM	BSC	ABC	BM	RE	SVA	CIP
TQM	1							
TBM	0.917**	1						
BSC	0.888*	0.822*	1					
ABC	0.949**	0.797	0.942**	1				
BM	0.904*	0.859*	0.931**	0.942**	1			
RE	0.981**	0.971**	0.866*	0.903*	0.915*	1		
SVA	0.887*	0.797	0.904*	0.926**	0.961**	0.868*	1	
CIP	0.997**	0.931*	0.913*	0.951**	0.951*	0.985**	0.885*	1

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

In the above table, the positive correlations have been found between all the variables. Correlation of all variables has been found significant at .01 and .05 level except between ABC & TBM and SVA & TBM. All the variables have been found positively significant with TQM, BSC, BM, RE and CIP. From the above data, it can be inferred that those banks that have been extensively following principles of TQM have also been practicing BSC, BM & RE and vice versa. This fact is much dependable which is warranted by the very low level of significance.

Factor Analysis of Management Control System

	Factor 1
TQM	0.98
TBM	0.923
BSC	0.946
ABC	0.965
BM	0.967
RE	0.975
SVA	0.941
CIP	0.986
Total	**92.245%**

Principal components analysis seeks to determine the number and characteristics of the factors or "variable groups" that affect tools of MCS decisions among the survey respondents. Only one factor was identified with eigen value 0.5 that explains 92.245% of the variation in the responses. This indicates that the responses are concerned with the all the mechanisms of MCS in the bank.

Findings

1. All the commercial banks adequately developed and applied the mechanisms of MCS.
2. All the commercial banks consider all the mechanisms of MCS to be equally important.
3. All the commercial Banks do not seem to have used the mechanisms of MCS equally.

Conclusion

It is concluded that all the organizations, either of profit or non-profit making, use some kind of MCS. The success or failure of every modern organization largely depends upon the fact that how effectively it has adopted and applied MCS. Hence, MCSs are an integral part of every organization. There are various management control systems which determine the success or failure of the organization. As the organization grows in size and complexity, the control system also tends to change from simple to sophisticate.

The objectives of effective MCS are to improve operational effectiveness, efficiency, employee creativity, company competitiveness by means of triggering feedback and corrective actions so that managers can adjust to changes in the environment.

It is found that all the commercial banks have adequately developed and applied the mechanisms of MCS. In terms of TQM, TBM, ABC, BSC, BM, RE, SVA and CIP all the banks have performed satisfactorily. In other words, MCS has been satisfactorily followed by all the sample banks.

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