AGRIBANK AND NON-FINANCIAL BUSINESS PERFORMANCE INDICATORS

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Abstract: ***Agribank, as a major state-owned bank in Vietnam, has consistently achieved strong business results. In addition to financial indicators, Agribank has placed significant emphasis on non-financial metrics, particularly in sustainability and social responsibility. The bank has actively implemented ESG (Environmental, Social, and Governance) practices, focusing on sustainable banking initiatives, digitalization and expanding its product offerings. These combined efforts have contributed to Agribank's continued success, both in terms of financial growth and its broader role in supporting the socio-economic development of Vietnam.***

• Keywords: *agribank, business performance, non-financial.*

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1. Introduction

Agribank, a leading state-owned bank in Vietnam, has consistently achieved strong business results while navigating economic challenges. In 2023, the bank surpassed its financial goals, with total assets exceeding 2 trillion VND and a loan portfolio of 1.55 trillion VND, 65% of which was allocated to agriculture and rural development. Agribank maintains a robust credit profile with low non-performing loans and increasing service fee revenues, showcasing its effective management. Beyond financial growth, Agribank emphasizes sustainability and corporate responsibility through ESG (Environmental, Social, and Governance) initiatives. The bank focuses on sustainable banking, digital transformation, and diversifying product offerings, supporting small and medium-sized enterprises (SMEs), and fostering financial inclusion via modern banking technologies. Agribank also seeks to improve customer experience and promote financial education, partnering with fintech, e-commerce platforms, and other sectors. These efforts not only drive its financial success but also support Vietnam's socio-economic development.

2. Literature review

Non-financial performance measures evaluate intangible factors that significantly impact the long-term success of businesses and organizations, such as innovation, management capabilities, human relations, and brand value. These factors are not reflected on the balance sheet but crucial to a company's market value (Ittner, 2000).

Using non-financial indicators offers many benefits. They help businesses identify and address issues related to internal processes or customer satisfaction that financial metrics cannot reveal. Furthermore, non-financial indicators can serve as a forecasting tool for future financial performance. Investments that enhance customer satisfaction and research development may improve long-term financial results, even if they don't generate immediate profits (Ittner, 2000).

Common non-financial indicators include customer retention rates, employee satisfaction, product defect rates, process performance, and social and environmental responsibility criteria. Additional significant non-financial indicators include innovation in new products or services, employee retention rates, and commitment to ethical and social standards. These indicators help businesses focus on creating long-term value and reducing dependence on short-term profits (Ittner, 2000).

Despite their advantages, the application of non-financial indicators also presents challenges. One of the biggest issues is the cost and time involved in their implementation. Systems tracking non-financial indicators can be expensive and complex, requiring significant investment in technology infrastructure and data management. Moreover, non-financial metrics often lack standardization, making it difficult to compare companies (Ittner, 2000). Additionally, businesses may struggle to link non-financial indicators with financial objectives or actual outcomes, potentially leading to resource wastage if not managed effectively.

Non-financial performance measures in the banking sector play a key role in understanding the success of business activities beyond financial profits. These measures often include customer satisfaction, customer loyalty, and factors related to processes and service quality. Here are some analyses of these metrics:

Customer Satisfaction: One of the most important metrics for banks, reflecting customers' perceptions of the services provided. Metrics such as Client Survey Scores help banks capture customer feedback on aspects like communication, product variety, and service speed. Customer satisfaction not only drives loyalty but also acts as an indicator of future financial performance (Eklof et al., 2017).

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Customer Loyalty: This metric is crucial for determining how likely customers are to continue using a bank's services long-term. Research indicates that improving digital experiences and offering personalized products can enhance the Net Promoter Score (NPS), a common measure of loyalty. Factors like proactive ESG initiatives can also affect customer loyalty.

Process Quality: Other service quality indicators include average resolution time for issues and error rates in setting up new accounts. These factors directly impact customer experience and can diminish satisfaction if not well-managed. Banks often monitor and continuously improve internal processes to minimize mistakes and reduce issue resolution times.

Employee Engagement and Development: Metrics like turnover rates, average time to hire, and internal promotion rates measure a bank's success in attracting, retaining, and developing talent. High engagement levels typically lead to better customer service, innovation, and organizational growth. Additionally, monitoring compensation structures helps banks maintain competitive positions in a tight labor market, which is critical for maintaining a motivated and productive workforce (Ittner, 2000).

Sustainability Commitment (ESG Performance): ESG performance has become an increasingly important non-financial factor as more customers prioritize banks with strong environmental and social responsibility practices. A bank with a solid sustainability strategy is more likely to attract and retain a large, loyal customer base, particularly from younger generations.

Factors Affecting the Implementation of Business Performance Evaluation Systems in Banks

The competitive business environment reflects the complexity of the industry in which an organization operates (Thong, 1999). Each industry has unique characteristics, and in the banking sector, the competition for products is intense, with customers easily changing their service preferences. Cao Thị Huyền Trang (2020) discusses competition, including the need to address both input and output challenges related to raw materials, human resources, product quality, service, pricing, distribution channels, and product diversification. In a highly competitive environment, businesses must improve decision-making processes and operational control to better meet customer needs (Abdel-Kader & Luther, 2008). The level of competition in the business environment positively impacts the implementation of business performance evaluation systems in the banking sector. Thus, the research proposes the following hypothesis:

Hypothesis H1: The competitiveness of the business environment positively affects the implementation of the business performance evaluation system at Agribank.

Corporate structure is a crucial aspect that the contingency theory addresses when it comes to business issues. Companies with clear hierarchical structures and decentralization allow for better operational control and flexibility in decision-making, which enhances the efficiency of business performance evaluation systems (Ghorbel, 2017). The organic structure of a company facilitates better information flow across departments, helping ensure that the performance evaluation system effectively supports decision-making. The research proposes the following hypothesis:

Hypothesis H2: A higher degree of decentralized corporate structure positively impacts the implementation of the business performance evaluation system at Agribank.

Implementing a business performance evaluation system requires significant initial and ongoing costs related to technology, equipment, consulting services, and employee training. Organizations need to carefully assess the costs versus the benefits of implementing the system. If the technology investment is low but the short- and long-term benefits are high, businesses will more easily proceed with implementation. In contrast, when high investment is required, especially in the banking sector's digital transformation, the long-term benefits justify the allocation of resources. Generally, when a bank allocates a higher budget for performance evaluation system investments, the implementation level will be higher. Hence, the research proposes the following hypothesis:

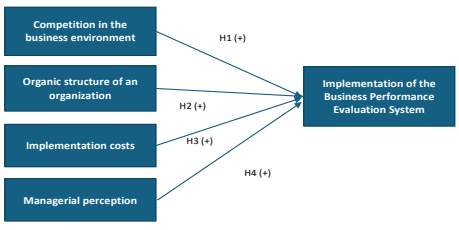
Hypothesis H3: The higher the investment in implementing the performance evaluation system, the higher the level of implementation at Agribank.

Management awareness in organizations reflects knowledge, skills, and the attention of management levels to the implementation of business performance evaluation systems. High-level managers play a pioneering role in guiding the implementation, and it is essential to raise awareness among all management levels for successful execution (Ngô Thế Chi & Ngô Văn Lượng, 2018). To successfully implement the performance evaluation system at Agribank, it is crucial to enhance the awareness of managers about the benefits and effectiveness of the system. Therefore, the following hypothesis is proposed:

Hypothesis H4: The awareness of managers positively affects the implementation of the performance evaluation system at Agribank.

A research model

Figure 1. Research model



3. Agribank's Business Performance Based on Non-Financial Indicators

With the results of the business performance measurement system implementation at Agribank, some

applications are widely used, while others are less frequently applied (Table 1 and Figure 2). This reflects the fact that in different localities, branch sizes, or organizational units, there are variations in the level of implementation of various management systems for efficiency. This study is based on the Contingency Theory (also known as the Random Theory, etc.) to explain and analyze the influencing factors (Phan Thanh Tú, Vũ Mạnh Chiến, Phạm Văn Kiệm, Lưu Đức Tuyên, & Nguyễn Thị Hồng Nga, 2018).

3.1. Measurement of Research Variables

Table 1. Measuring Research Variables

Variable Code	Scale	Sources
	Level of Implementation of the Business Performance Evaluation System	*5-Point Likert Scale*
TKHT1	Activity-Based Costing (ABC)	Developed by author
TKHT2	Benchmarking	
TKHT3	Performance Pyramid	
TKHT4	Process Type Theory	
TKHT5	Customer Survey/Investigation	
TKHT6	Integrated Management System (MM)	
TKHT7	Customer Observation	
TKHT8	Life Cycle Theory	
TKHT9	Balanced Scorecard	
TKHT10	Cost-to-Income Ratio/Cost Estimation Ratio	
	Competition in the Business Environment	*5-Point Likert Scale*
MTKD1	Competition in the industry regarding raw materials is increasing.	Cao Thị Huyền Trang (2020)
MTKD2	Competition in the industry regarding human resources is increasing.	
MTKD3	Competition in the industry regarding product/service quality is increasing.	
MTKD4	Competition in the industry regarding the diversity of products/services is increasing.	
MTKD5	Competition in the industry regarding pricing is increasing	
	Organizational structure	*5-Point Likert Scale*
CTDN1	The unit has a management hierarchy for developing new products/services.	Cao Thị Huyền Trang (2020)
CTDN2	The unit has a management hierarchy for hiring and firing employees.	
CTDN3	The unit has a management hierarchy for purchasing assets.	
CTDN4	The unit has a management hierarchy for setting the pricing of products/services.	
CTDN5	The unit has a management hierarchy for distributing products/services.	
	Cost of implementing the performance evaluation system	*5-Point Likert Scale*
CP1	High cost of technology investment for implementing the performance evaluation system at the unit.	Cao Thị Huyền Trang (2020)
CP2	High consulting fees from organizations/experts for implementing the performance evaluation system at the unit.	
CP3	High cost of training human resources to implement the performance evaluation system at the unit.	
	Management's Perception	*5-Point Likert Scale*
NQL1	Managers perceive the usefulness of the business performance evaluation system.	Cao Thị Huyền Trang (2020)
NQL2	Managers perceive the ease of use of the business performance evaluation system.	
NQL3	Managers are aware of the effectiveness of the business performance evaluation systems of other companies.	
NQL4	Managers have high trust in the implementation of the business performance evaluation system.	

Source: Compilation by the author

3.2. Findings and discussion

As for the explanation, the study uses the Cronbach's alpha test to evaluate the reliability of the scale. The results are presented in Table 2.

Table 2. Results of the Cronbach Alpha analysis

Name of variables	Measurement indicator	Cronbach Alpha
Level of implementation of the business performance evaluation system	TKHT1, TKHT2, TKHT3, TKHT4, TKHT5, TKHT6, TKHT7, TKHT8, TKHT9, TKHT10	0,973
Competition in the business environment	MTKD1, MTKD2, MTKD3, MTKD4, MTKD5	0,819
Organizational structure	CTDN1, CTDN2, CTDN3, CTDN4, CTDN5	0,872
Cost of implementing the performance evaluation system	CP1, CP2, CP3	0,875
Manager's awareness	NTQL1, NTQL2, NTQL3, NTQL4	0.890

Source: Compilation by the author

The results show that all the scales ensure reliability, as the Cronbach's alpha coefficients of all the variables are > 0.6 and the correlation of total variables is greater than 0.3. The measurement indicators for the study variables are all used in the following analysis.

Exploratory Factor Analysis (EFA) Results:

The study conducted the analysis for both independent and dependent variables with the Varimax rotation method for two separate runs for the two groups of variables.

Results of the Independent Variables Analysis:

The EFA results for the independent variables are presented in Table 3. The result with the KMO coefficient = 0.730 > 0.5 and the sig. coefficient = 0.000 indicates that the data fits the theoretical model. The Eigenvalue stopped at 1, loading onto 3 factor groups. These factor groups are represented as follows:

Organizational Structure Group (CAUTRUC): from CTDN1 to CTDN5

Business Environment Group (MOITRUONG): from MTKD1 to MTKD5

System Implementation Cost Group (CHIPHI): from CP1 to CP3

Management Awareness Group (NTNQL): from NTQL1 to NTQL4

Results of the Dependent Variables Analysis:

The EFA results for the dependent variables are presented in Table 3. The result with the KMO coefficient = 0.753 > 0.5 and the sig. coefficient = 0.000 indicates that the data fits the research model, and the indicators load onto only one factor group.

The study conducted to calculate the representative value for the factor group:

System Performance Evaluation Implementation (THUCHIEN): From TKHT1 to TKHT10 (Table 3, 4)

Multivariate correlation and regression analysis

The results of the multivariate correlation and regression analysis are presented in Table 5.

Table 3. Results of the Independent Variables EFA Analysis

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.730
Bartlett's Test of Sphericity	Approx. Chi-Square	957.195
	df	136
	Sig.	.000

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.944	23.203	23.203	3.944	23.203	23.203	3.356	19.742	19.742
2	3.418	20.105	43.308	3.418	20.105	43.308	3.136	18.449	38.192
3	2.836	16.683	59.991	2.836	16.683	59.991	3.000	17.648	55.840
4	1.754	10.318	70.309	1.754	10.318	70.309	2.460	14.470	70.309
5	.941	5.538	75.847						
6	.761	4.474	80.322						
7	.570	3.352	83.674						
8	.459	2.699	86.372						
9	.409	2.407	88.779						
10	.398	2.338	91.117						
11	.339	1.997	93.114						
12	.297	1.746	94.860						
13	.228	1.343	96.204						
14	.213	1.251	97.454						
15	.177	1.040	98.494						
16	.172	1.012	99.506						
17	.084	.494	100.000						

Extraction Method: Principal Component Analysis.

Rotated Component Matrix[a]

	Component			
	1	2	3	4
CTDN5	.900			
CTDN1	.828			
CTDN4	.825			
CTDN2	.777			
CTDN3	.725			
NTQL4		.885		
NTQL2		.878		
NTQL3		.848		
NTQL1		.806		
MTKD3			.877	
MTKD4			.865	
MTKD2			.734	
MTKD5			.703	
MTKD1			.575	
CP2				.929
CP1				.901
CP3				.825

Extraction Method: Principal Component Analysis.
a. Rotation converged in 5 iterations.

Source: Author's calculations from SPSS

Table 4. Results of EFA analysis for dependent variables

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.753
Bartlett's Test of Sphericity	Approx. Chi-Square	1909.514
	df	45
	Sig.	0.000

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.081	80.808	80.808	8.081	80.808	80.808
2	.709	7.093	87.901			
3	.444	4.436	92.337			
4	.373	3.732	96.069			
5	.175	1.747	97.816			
6	.101	1.013	98.829			
7	.058	.584	99.414			
8	.048	.476	99.889			
9	.008	.079	99.968			
10	.003	.032	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component
	1
TKHT5	.922
TKHT8	.921
TKHT10	.917
TKHT4	.918
TKHT6	.916
TKHT7	.894
TKHT3	.886
TKHT2	.883
TKHT1	.818

Extraction Method: Principal

a. 1 components extracted.

Source: Author's calculations from SPSS

The results show that the explanatory power of the research model is 42.1% with an R-square of 0.421. The F-test result is 16.888 with a significance level of 0.000, indicating that the model is entirely suitable for analysis.

The regression results show that two independent variables, including the competitiveness in the business environment (MOITRUONG) and the perception of managers (NTNQL), have a statistically significant positive impact on the implementation of the business performance evaluation system. This confirms that the competitive business environment in the banking sector, with competitors in terms of products, services, and business processes, has driven the implementation of the performance evaluation system to provide Agribank with quick information for system control and business decision-making. Notably, the Beta coefficient for the manager's perception variable is $\beta = 0.539$, which has the most significant impact on the implementation of the business performance evaluation system at the units. These results are consistent with previous studies by other authors regarding the implementation of systems at different units.

Table 5. Results of correlation and regression analysis

Correlations

		MOITRUONG	CAUTRUC	NTNQL	CHIPHI	THUCHIEN
MOITRUONG	Pearson Correlation	1	.050	.282**	.215*	.391**
	Sig. (2-tailed)		.626	.005	.033	.000
	N	98	98	98	98	98
CAUTRUC	Pearson Correlation	.050	1	.007	.087	-.077
	Sig. (2-tailed)	.626		.942	.395	.454
	N	98	98	98	98	98
NTNQL	Pearson Correlation	.282**	.007	1	-.119	.594**
	Sig. (2-tailed)	.005	.942		.243	.000
	N	98	98	98	98	98
CHIPHI	Pearson Correlation	.215*	.087	-.119	1	.053
	Sig. (2-tailed)	.033	.395	.243		.605
	N	98	98	98	98	98
THUCHIEN	Pearson Correlation	.391**	-.077	.594**	.053	1
	Sig. (2-tailed)	.000	.454	.000	.605	
	N	98	98	98	98	98

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

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

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.649[a]	.421	.396	.54322	1.752

a. Predictors: (Constant), CHIPHI, CAUTRUC, NTNQL, MOITRUONG

b. Dependent Variable: THUCHIEN

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.934	4	4.983	16.888	.000[b]
	Residual	27.443	93	.295		
	Total	47.376	97			

a. Dependent Variable: THUCHIEN

b. Predictors: (Constant), CHIPHI, CAUTRUC, NTNQL, MOITRUONG

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.107	.536		2.064	.042		
	MOITRUONG	.232	.087	.227	2.668	.009	.857	1.167
	CAUTRUC	-.102	.082	-.099	-1.243	.217	.991	1.009
	NTNQL	.529	.082	.539	6.436	.000	.867	1.128
	CHIPHI	.067	.072	.077	.930	.355	.913	1.095

a. Dependent Variable: THUCHIEN

Source: Author's calculations from SPSS

The research did not find a statistically significant relationship between the organizational structure factor and the cost of implementing the system in relation to the implementation of the business performance evaluation system at Agribank.

The results of the research hypotheses are summarized as follows:

Table 6. Summary Table of the Results of the Research Hypotheses

Hypotheses	Content of the Hypothesis	Results
H_1	The competitiveness of the business environment has a positive impact on the implementation of the business performance evaluation system at Agribank	Accepted
H_2	A high degree of organic hierarchical structure in the organization will have a positive impact on the implementation of the business performance evaluation system at Agribank.	Rejected
H_3	The higher the costs incurred to implement the system, the greater the degree of implementation of the business performance evaluation system	Rejected
H_4	The managers' perception has a positive impact on the implementation of the business performance evaluation system at Agribank	Accepted

4. Conclusion

From the research results above, the regression equation can be written as follows:

TRIENKHAI = 1,107 + 0,232 MOITRUONG + 0,529 NTNQL

The findings indicate that both the competitiveness of the business environment and managers' perceptions have a positive impact on the implementation of the business performance evaluation system at Agribank. Specifically:

Competitiveness of the Business Environment: The competitive pressures from rivals in terms of products, services, and business processes encourage Agribank to adopt a performance evaluation system to quickly gather information for decision-making and control. This competitive environment prompts the bank to use performance evaluations to improve efficiency and stay competitive.

Managers' Perception: Managers' awareness of the utility, ease of use, and effectiveness of the business performance evaluation system significantly influences its adoption. A higher level of trust in the system's effectiveness boosts the likelihood of its successful implementation across different branches or units within Agribank.

These results are consistent with previous studies that highlight the role of both external market pressures and internal managerial support in driving the adoption of performance management systems.

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