

Performance Appraisal Through Value Added Approach: A Case Study on Mercantile Bank Limited.

Md: Harun - Ar - Rashid*

Md. Zahangir Alam**

Mahi Uddin ***

Abstract

The study on Performance Appraisal through Value Added Approach: A Case Study on Mercantile Bank Limited (MBL) revealed some important findings namely (i) Both the value added & economic value added of MBL showed an increasing trend during 2006 as compared to 2005; (ii) But in terms of market value added, the selected bank showed a decreasing trend in 2006 as compared to 2005; (iii) All the value added ratios showed an increasing trend in 2006 as compared to 2005 excepting net profit value added ratio, net profit to economic value added ratio & market value added to total revenue ratio; (iv) The performance of MBL in 2006 had been poor as compared to 2005 in terms of the above three ratios which play the vital role in the performance of the bank; & (v) Factors responsible for poor performance of MBL were identified as shortage of adequate working capital, lack of requisite research & development activities, shortage of skilled manpower, lack of proper responsibility and accountability, limited market for products.

* Professor, Dept. of Business Administration, Manarat International University, Dhaka.

**Lecturer in Finance, Dept. of Business Administration, International Islamic University Chittagong, Dhaka Campus.

***Lecturer in HRM, Dept. of Business Administration, International Islamic University Chittagong, Dhaka Campus.

1. Introduction

Bangladesh being one of the developing countries has low level of per capita income and in return, low standard of living. In 2005-06, GDP growth was 6.71%¹ which was below the target. The resultant effect of lower rate of internal resource mobilization had been the rising trend of dependence on foreign aid for financing development works since independence.

Commercial banking sector plays an important role in mobilization of the countries scattered savings and channelizing the same into various desirable sectors of the national economy. The government policy of denationalizing some of the erstwhile Nationalized Commercial Banks (NCBs) and allowing the entrepreneurs for establishing of banks in private sector had been to create a competitive banking environment in order to achieve the objective of greater mobilization.² Among 52 private banks³, Mercantile Bank Limited was incorporated on May 20, 1999 and launched its business on June 2, 1999 with the strategic objectives to achieve positive economic value added each year; to be market leader in product innovation and one of the top three financial institutions in Bangladesh in terms of cost efficiency and one of the top five financial institutions in Bangladesh in terms of market share in all significant market segments we serve as well as with financial objectives to achieve a return on shareholders' equity of 20% or more, on average.⁴

Performance means accomplishment of an expected course of action. Appraisal which is variously known as evaluation, measurement, assessment etc. refers to an ongoing evaluation of equity, quantity, style and determinants of the present performance, growth potential etc. to provide control information leading to an action program and enabling feedback aimed at performance improvement, growth and satisfaction.⁵ The overall performance of an organization can be measured in terms of several indicators.

