

Abstract

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The relationship between Non-Financial Performance Indicators and Financial Outcomes: Empirical Evidence from Egyptian retail Bank

There is very little solid, model-based research testing the relationships between non-financial and financial indicators of performance and the cause-and-effect relationships between their underlying constructs. Also, the results of the extant research are mixed. As a result, both researchers and practitioners have called for a better understanding of these relationships. This study develops and tests a model designed in an attempt to better understand the relationship between financial and non-financial indicators of performance in service sector, precisely, for business units pursuing customer-driven strategies. The model embodies hypotheses regarding positive associations between training, service quality, customer satisfaction, customer loyalty and financial performance. Data from retail branches specialized in providing services to small and medium companies, for the years 2005-2009, of one of the Egyptian's largest banks has been used to test the hypothesis. The results indicate strong positive and significant relationships between services quality, customer satisfaction and customer loyalty. The results also provide partial support for the positive relationship between training and service quality, and the positive effect of high levels of loyalty on financial performance. Therefore, incorporating more relevant non-financial measures into performance measurement and evaluation systems is supported by the research.