

Hunjra, A. I., Shamim, N. & Khalid, B. (2014). Impact of strategic planning on the financial performance of small and medium banks in Islamabad. *Bulletin of Business and Economics*, 3(2), 96-130.



Impact of Strategic Planning on the Financial Performance of Small and Medium Banks in Islamabad

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Abstract

Strategic planning is the ongoing practice of organizations and firms to improve the firm's performance. This study plans to find out the relationship between strategic planning and financial performance of microfinance banks in Pakistan. For this purpose, questionnaire has been designed. Population of this study were the professionals and top management of four microfinance banks of Islamabad region i.e. study i) Kashaf Bank ii) Khushhali Bank iii) Waseela Microfinance Bank iv) Tameer Microfinance Bank. Sample size of forty one top management professionals of microfinance banks was selected. For analysis purpose, SPSS was used and descriptive and inferential statistics i.e. t-test, ANOVA and regression analysis has been applied. In this study, we find financial performance has positive and substantial relationship with independent variables of strategic planning and regression results reveals significant relation between strategic planning and Return on assets, insignificant relationship among formal and non-formal planning and financial performance and Return on Equity with strategic planning also shows significant relationship.

Keywords: Strategic Planning, Financial Performance, Return On Assets (ROA), Return On Equity (ROE), Kashaf Bank, Khaushhali Bank, Waseela Microfinance Bank, Tameer Microfinance Bank, Pakistan, Islamabad

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1. Introduction

The Planning is the process which identifies and set goals, targets and objectives in a company and defining how to attain these targets and objectives. Strategic planning is the ongoing practice of organizations and firms to improve the firm's performance by designing and producing the techniques/ strategies to generate results. It works at what position company wants to be, situation analysis of the agency, and executing the approaches to achieve the desired objectives and move forward. The practice of strategic planning is considered as preemptive decision making for the optimal results of the organization (Schendel & Hofer, 1979).

Strategic planning articulates a document to share the information with the firm's employees of organizational goals, necessary action prerequisite to attain those goals and all the significant factors emerged during the strategic planning process. Donnelly et al. (1998) said that this is a process which constitutes all the management actions that indicate upcoming objectives and best possible ways which help to achieve those objectives. It is worth mentioning that different countries understand SME's in the different meanings and that a definition of microfinance is remained a topic of discussion for the last 30 years, however the European Union (1996) believes that a microfinance should be categorized as a business with less than 250 employees and a turnover of less than 40million Euros per year. The hospitality industry is said to be dominated by SME's (Brtf, 2005) and evidence suggests that 90% of businesses in the European Union are categorized as being SME's (Department of Heritage, 1998).

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For the strategic planning, two popular approaches are, informal and formal which can be taken. The strategic plan in microfinance in document form is used as an alternate measure of formality (Regan and Ghobadian, 2002). Formal strategic planning can be described as a process comprising of variations in strategic analysis, decisions making and strategy implementation, where organizations evaluate their competitive positions and put their plans into action (David and Nisbet, 1996). Informal planning in which there are no definite objectives, targets and timelines for evaluation are involved is called informal planning. Informal planning encompasses all planning actions that are not established, but however, lead to planned results that fulfill particular interests; nevertheless they may help the larger public interest too. In the informal planning, proper procedures and tools are not followed that are settled beforehand, as is the case in formal planning (Briassoulis, 1997).

In SME's a significant volume of planning activity is recognized to be unstructured (Hodgetts and Kuratko, 1998), however Robinson and Pearce (1983) indicated that in smaller firms that planned formally and informally no significant differences in performance was found. Consequently, it can be observed that either an SME selects to take on strategic planning informally or formally, consequences and performance are said to be moderately sane. Regan and Ghobadian (2002) believes that problems were better prepared for in formal firms than in non-formal planning firms which show that formal strategic planning in this case does positively impact business performance. Over the last many years effect of strategic planning on the performance remained a focus of research

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and studies. The crum of research results on the links and association between formal strategic planning and firm's performance, nevertheless many results have given negative relationship. In a research study of a scholar, it was pointed out that in empirical research proper attention was not given to the strategic planning and organizational performance although performance objectives were given importance. The research of the Greenley (1994) aimed to highlight importance of relationship of strategic planning and organizational performance. A new empirical research conducted on Turkish firms, although these crum of studies was focused on USA, UK, Canada, Australia and Japan for the formation of frameworks which may not be doable in underdeveloped countries (Koufopoulos et al., 2005; Haines, 1988).

The literature review reveals that in Pakistan no research has been carried out to measure the impact of strategic planning on the financial performance so that SME sector can be explored. The relation of function of planning to the better performance of the small businesses is quite uncertain. To find out the significance of this relationship this study has been designed. The problem area can be broadly described as: "Corporate sector in Pakistan has faced a lack of application of strategic planning with emphasis on environmental pressures. The causes for this problem require investigation and analysis, and recommendation made so that the sector could realize its full potential".

II. Literature Review

An organization does strategic planning through a process in which strategy or direction is defined and decisions are made on allocating its resources to pursue this strategy

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including its capital and people (Adeleke, 2001). Organization uses different Strategic planning approaches and techniques including SWOT, PEST and STEER. According to Steiner (1979) strategic planning is systematic and relatively formalized struggle of an organization to set fundamental firm's purposes, goals, objectives, policies and strategies. Strategic planning engages the production of comprehensive plans to execute strategies and policies for achieving goals and basic organization purposes. Bateman and Zeithml (1993) supporting the argument, view it as a cognizant, logical process in which decisions are taken about the objectives and actions that staff, team, business unit and company will follow. Strategic planning is road map to be followed for future activities by the staff or company.

Bryson (1989), Stoner (1994) and Viljoen (1995) defined that the process of strategic planning help in directing firm members know where to head the organization and where their major efforts should be exerted . It also assist in the setting the business of firm, the result it seeks and the ways through which these ends can accomplish. Normally in current days, the strategic planning is assumed that it is not only for the current operations rather it covers specific period of time ranging from two to five years focusing on setting future direction of organization instead of current positioning. Ackoff (1970) stated that if the planning is for long term than its effects will also prolonged and will be hard to reverse. It is a general concept that it is long-term But, Ackoff said in the strategic planning short and long both planning are necessary. Although these are considered independently but these are interlinked in actual.

Financial performance of business entity, banks and all kinds of enterprises gives true reflection of organizational performance. For the financial performances of the business entity return on assets, return on equity and return on investment non-performing asset ratio, etc. are key performance indicators to be used by accountant, managers and auditors and accountants. It is also possible that other kind of firms uses other terminologies for the organizational assessment but eventually same performance measurements and used. It is worth mentioning here that NGOs, welfare organizations,

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educational institutes and similar firm, use contractual allowance, overhead ratios, for the performance measurement in financial terms.

In this regard audit report, annual progress reports are easily available. It is also critical to mention that these firms do not mention in detail about these financial ratio and other financial and strategic planning process mechanism. A question was raised and was brought to the research during the review industry statistics “why some of the companies in an industry have good performance, with good average of performance and other are significantly have low average”? It raised another question that does the strategic planning or lack thereof, have any association with performance. A positive relationship was found between the two variable financial performance and structured / formal strategic planning during the study of a health service sector (Layton, 1991). The finding of the study shows that the relationship / correlation was positive irrespective of small or big firm. Thune and House (1970) carried out a study on 36 firms and 6 different kinds of industries which results substantiated the hypothesis of the proposal that long term strategic planning has positive impact on the financial efficiencies and performance of the firm.

A research conducted by Rudd et al. (2008) the results from research performed on organization’s financial Performance Strategic Planning varies significantly to that extent that it triggers a debate about the accuracy and value of different approaches applied in the researches. In addition to this, Miller and Cradinal (1994) and Andersen (2000) have concluded a affirm relationship between the financial performance of the organization and strategic planning. Sarason and Tegarden (2003) in their study concluded a relationship between strategic planning and company’s financial performance by focusing on the configuration theory and firm’s resource based view. Their results also supported partially the opinion for a positive relationship between strategic planning and performance. Though, they settled that this association is moderated by firm’s period of growth and that it is helpful to initial phase of firms.

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Many studies carried out to measure the association between planning and performance, conclusion was indecisive and gives a mixed results. Though numerous studies shows a positive association between planning and performance but a large number of studies also reported no association between company's performance and strategic performance (Sapp and Seiler, 1981; Wood and LaForge, 1979; Robinson and Pearce, 1983; Kudla, 1980), but some concluded a negative association (Fulmer and Rue, 1974).

Gibson and Cassar (2005) in their recent studies found some uncertainty of the fundamental association between strategic planning and organizational performance, even in small organizations. Boyd (1991) and Schwenk and Shrader (1993), and Miller and Cardinal (1994) on the basis of meta-analysis researches concluded, that firm's performance and strategic planning has a significant but weak positive relationship. Arguments and studies that a strategic plan will be beneficial to an organization's performance have been suggested by several researchers (Hopkins and Hopkins 1997; Pearce, et al. 1987; Bracker and Pearson 1986). But studies by McKiernan and Morris (1994); Gable and Topol (1987); Kallman and Shapiro (1978); Fulmer and Rue (1974) had not detected any relationship between strategic planning and performance.

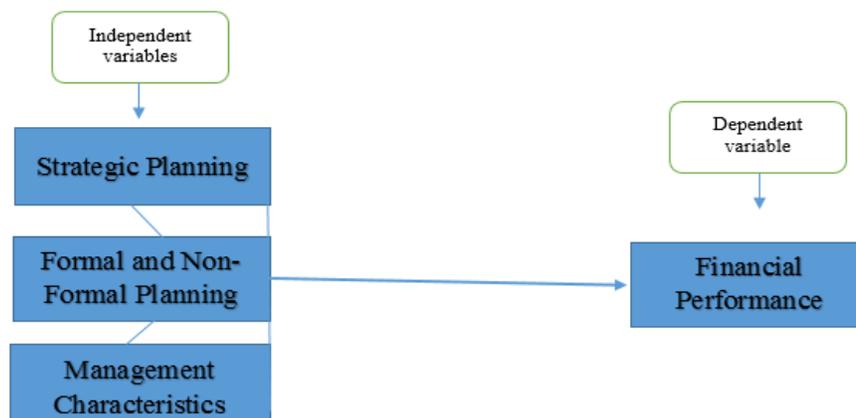
In the literature review very few studies denies the hypothesis that planning function has positive effect on the overall performance of the organization in general and financial performance in particular. It further raise a question of the research that "is any relationship between strategic planning and financial performance of organization either it is positive or negative?"

Theoretical Framework

A conceptual framework has been designed to test the hypotheses and answer the research questions. The conceptual framework is depicted in following figure.

Figure-1

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Research Hypotheses

H1: Strategic planning has positive impact on the financial performance of microfinance banks.

H2: Formal strategic planning is more effective than informal for efficient financial performance.

H3: Characteristics (age, education and experience) may affect the strategic planning.

III. Research Methodology

A literature review relating to identifying the formulation criteria of microfinance banks and the method of measuring the financial performance was done. In this regard international general, technical papers, publications and annual reports has been studied. On the basis of developed literature review the questionnaire and tools for data collection was designed.

In this study both probability and non-probability sampling was used for the sample selection. Probability Sampling was used for the selection of professionals and middle level manager random sampling. Sample frame of middle level managers and professionals was obtained from selected banks. Sample size for the random selection

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was calculated by using 95% confidence and 5% margin of error. Non-probability sampling was used for the top managers and purposive sampling techniques was implemented. List of top managers was also obtained from the banks and interviewed. This study covers two important aspects of the strategic planning including formal and informal strategic planning which affect the performance of the business entity. Considering these key aspects the microfinance banks with formal and informal planning was taken in the study.

The present study is intended to capture the performance of the microfinance through profitability index for that annual report and balance sheet was considered. Two variables strategic planning (formal, informal) and involvement of management in decision making was taken as independent and financial performance was taken as dependent variable. Two types of questionnaires were designed, one for the measurement of the strategic planning process and decision making under formal and informal strategic planning and the second questionnaire for the measuring financial performance of the bank. Likert was used in the study to measure the performance of the banks through five point scale.

Following microfinance banks in Islamabad were under the study i) Kashaf Bank ii) Khushhali Bank iii) Waseela Microfinance Bank iv) Tameer Bank. Top management including (CEO, CFO, and Business Chief) involved in strategic planning and the staff involve in MIS section and data analysis department was the population of the study. And sample size of forty one professionals and top management of banks was calculated by using 100% estimation of population, 95% confidence and 5% margin of error has been used. Reliability of each dimension set out in the questionnaire is endorsed by Cronbach's alpha values, corresponding to variables reach.

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Table-1 Instrument's Reliability Measurement (N=41)

Variables	Items Nos.	Cronbach Alpha
Demography	4	0.557
Strategic Management Process	6	0.50
Strategic Planning	12	0.898
Formal/informal Planning	6	0.882
Management Characteristics	4	0.693
Total	32	0.875

In the table-1, The 'Financial Performance' being dependent variable with four (04) items having reliability of 0.00(00%). Strategic Planning, coupled with twelve (12) items, is the first independent variable signifying the highest value of reliability with Cronbach Alpha 0.898 (89%) whereas the Formal/informal planning is with further six(06) items giving figure of 0.882 reliability becomes almost of 88 percent. Other dimensions reliabilities are of the Management Characteristics, Strategic Management Process 69% and 50% respectively. Finally, it depict overall reliability index for the thirty two (32) items instrument as 0.875to become 88 in percentage.

Data analysis of the study was presented precisely and evidently and substantiated by statistical tests. The findings of the research were explained and described in term of research questions and hypothesis. The purpose of this study was to test the hypothesis about the relationship between different variables. Different statistical tests, descriptive and inferential statistics (i.e. group statistics ANOVA (in classify to categorize the differences among the well-known variables with admiration to diverse demographics of

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the respondents, ANOVA test is applied), t-tests and regression analysis has been applied to analyze the data. The results of different statistical tests and degree of audience responses ranging from agreeableness and disagreed statement has been discussed in detail.

IV. RESULTS AND DISCUSSION

In this research, the relationship between strategic planning and organizational financial performance has been analyzed on the basis of primary data collected from the microfinance banks in Islamabad. To analyze the data pertaining to demographic characteristics, frequency distribution tests have been applied and summarized the results. The responses of the audience pertaining to agreeableness and disagreed statement were also analyzed and have been presented in table in descriptive statistics. The significance of these responses has been measured through applying statistical test (ANOVA and t-tests) and hypothesis was tested through regression analysis. First of all, frequency distribution and descriptive statistics on account of the gender is shown in table-2.

Table-2 Frequency Distribution and Descriptive Statistics with respect to “Gender”

Gender	Number of Responses (N=41)	
	Frequency	Percentage (%)
Male	35	85
Female	6	15
Total	41	100

The above table-2 summarizes the result of that female respondents are much lower, with only 15% in the study. We find highest percentage of male participation with 85% participation in the undertaken study.

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Table-3 Frequency Distribution and Descriptive Statistics with respect to “Qualification”

Qualification	Number of Responses (N=41)	
	Frequency	Percentage (%)
Graduates	7	17
Post Graduate	34	83
Total	41	100

The data of table-3 presents the status of qualification of the audience in the microfinance banks. It reveals that post graduate respondents are high in percentage (83%) with 34 count but the respondents with qualification as graduate are less in percentage (17%) with 7 in count. This also reflects that in strategic planning process highly qualified staff is involved in the microfinance banks.

Table-4 Frequency Distribution and Descriptive Statistics with respect to “Experience”

Experience	Number of Responses (N=41)	
	Frequency	Percentage (%)
1-5 Years	13	32
6-10 years	13	32
11-15 years	5	12
More than 15 Years	10	24
Total	41	100

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The finding of above table goes a long way to explain data and show mix picture of the respondent with respect to experience. The respondents with experience (1-5) and experience (6-10) have same frequency 32% followed by respondents with experience (>15 years) 24%. The respondents with experience (11-15years) have lowest percentage (12%). This reveals that respondents in middle management level are very low in microfinance banks owing to shifting to other sectors.

Table-5 Frequency Distribution and Descriptive Statistics with respect to “Salary Package”

Salary Package	Number of Responses (N=41)	
	Frequency	Percentage (%)
15000	3	7.3
16000-25000	3	7.3
26000-35000	5	12.2
36000-45000	5	12.2
>50000	25	61
Total	41	100

Table-5 summarizes data and present clear picture of the respondent with respect to different salary group. The respondents with salary (Rs.15000) and respondents with salary range (Rs.16000-25000) have same frequency 7.3% followed by respondents with salary (Rs.26000-35000) and (36000-45000) 12%. The highest percentage of respondent’s salary package was above than 50000 which made 61% of total with 25 in count. This also shows that these sectors offer better salary package to their staff.

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Table-6 Frequency Distribution and Descriptive Statistics with respect to “Outside Facilitation”

<i>Number of Responses (N= 41)</i>		
Outside Assistance	Frequency	Percentage (%)
Yes	16	39%
No	25	61%
Total	41	100

Table-6 explains about the rate of responses from the respondents about the outside facilitation for the strategic planning process. As per the results from the above table, it is clear that during strategic planning process 39% respondents said that they use outside assistance whereas 61% (25 count) said that they do not use outside assistance.

Table-7 Frequency Distribution and Descriptive Statistics with respect to “Off site Location”

<i>Number of Responses (N= 41)</i>		
Offsite Location	Frequency	Percentage (%)
Yes	10	24
No	31	76
Total	41	100

Table-7 provides the information about the response rate of respondents using outside location for their strategic planning. As per the results, highest rate of response is that 76% used no outside location during strategic planning. Only 24% said that yes they use outside location during strategic planning.

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Table-8 Frequency Distribution and Descriptive Statistics with respect to “BOD Participation”

<i>Number of Responses (N= 41)</i>		
Active Participation of BOD	Frequency	Percentage (%)
Yes	37	90
No	4	10
Total	41	100

In the table-8, we find that response rate of non- participation of BOD is much lower with 10% but we find highest rate of response about the active participation of the BOD in the strategic planning process. It illustrates that overall BOD members are active participant of the strategic planning process. Active participation of the Board of Directors members also indicates that strategic planning process is more formal than non-formal.

Table-9 Frequency Distribution and Descriptive Statistics with respect to “Age of BOD”

<i>Number of Responses (N= 41)</i>		
Age of BOD	Frequency	Percentage (%)
25-35	4	10
36-45	4	10
46-55	29	70

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56-65	4	10
Total	41	100

The table-9 above presents the status of age of Board of Director members with respect to response rate of the audience. We find highest rate of 46-55 years of age with 70% and lowest rate of responses with 10% for rest of the age status including 25-35, 36 -45 and 56-65 years. It also reveals that members of BOD are comparatively experienced and are younger and energetic than BOD of 56-65.

Table-10 Frequency Distribution and Descriptive Statistics with respect to “Outside Person”

Outside Person	<i>Number of Responses (N= 41)</i>	
	Frequency	Percentage (%)
Yes	36	85
No	5	15
Total	41	100

The table 4.9 presents the distribution of outside person’s assistance in the strategic planning process. The participation of “Outside Person” is around 85% and non-participation is much lower with 10%. It shows that the participation from the outside of the organization is highest in the strategic planning process.

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Table-11 Frequency Distribution and Descriptive Statistics with respect to “Strategic Planning”

Items	Ex	MD	Percentage response rate (N=41)				Mean	St. Dev
			AD	S	Li	NA		
Identify sources of internal funding	8	24	6	-	2	1	2.15	.963
Identify debt capacity	5	21	11	-	3	1	2.39	.972
Identify sources of external sources	6	25	6	-	3	1	2.24	.969
Identify liquidity requirement	5	14	18	-	4		2.51	.840
Identify staff requirements	9	8	18	-	5	1	2.48	.987
Identify training and development requirement	5	9	22	-	5	-	2.66	.855
Identify promotion and compensation requirement	4	10	22	-	5	-	2.68	.820
Identify employee performance standards	6	11	19	-	5	-	2.5610	.895
Identify core deposit requirements	6	20	5	-	10	-	2.4634	1.027
Identify equipment requirement	6	7	19	-	9	-	2.7561	.969
Identify product or services quality requirements	4	12	19	1	4	1	2.6500	.892
identify operations of your operations	6	16	14	-	5	-	2.4390	.895

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The above table reports that 24 respondents rated that “sources of internal funding” is moderate and 6 are of the opinion that it is adequate. Table results further reflect that 5 out of 41 respondents rate that their organization remains engaged in “debt capacity” as extensive and 21 respondents rate it as moderate whereas 11 say it adequate. Only 3 rate it as limited.

Regarding involvement of organization in “External source of Funding” 6 out of 41 rate it the as extensive and same number rate that it is adequate and 25 (60%) as moderately engaged in external funding. The “liquidity requirement” of the organization is rated as extensive by 5 out of 41 respondents and as moderate by 14 respondents and by 18 as adequate but 4 respondents say it is limited.

Regarding involvement of organization in staff requirement, 18 respondents say that it adequate. Overall rating shows that organizations are highly engaged in identification of staff requirement. 9 out of 41 respondents rate the organization involvement in “training and development requirement” as extensive and 9 rate as moderate whereas 22 respondents say that it is adequate. The “Promotion and compensation requirement” of the organization is rated as extensive by 4 out of 41 respondents and as moderate by 10 respondents whereas 22 rate it adequate. Overall 36 out of 41 rate it positively and sufficiently.

6 out of 41 respondents identified that their organization is engaged in “employee performance standard” extensive and 11 express it as moderate but 19 marked it as adequate but 5 respondents say it is limited. The mean value is 2.5610 with 0.89579 Standard Deviation. Score of “core deposit requirement” and “equipment requirement” is identified as limited by 10 and 9 respondents respectively which is greater than other items and indicates that this component is most ignored. The mean value of the items are 2.4634 and 2.7561 with 1.002707 and .96903 respectively.

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Table-12 Frequency Distribution and Descriptive Statistics with respect to “Formal and non-Formal planning”

Items	Ex	MD	AD	Percentage response rate (N=41)			Mean	St. Dev
				S	Li	NA		
Assess the relative competitive position of the bank	13	15	9	1	2	-	2.075	.997
Assess the financial condition of the bank	17	12	8	-	3	-	1.925	.971
Assess the stage of product/ market evolution	5	23	4	-	8	-	2.375	.952
Identify Changes in the action of competitors	4	19	10	-	7	-	2.500	.905
Identify influence of industry changes on the bank	4	17	11	8	-	-	2.575	.930
Identify the influences of environmental on the bank	5	21	6	-	8	-	2.425	.957

Analyzing the data in table-12, it reveals that how many of the respondents of the study identified the formal and non-formal planning items of the organization as extensive, moderate, adequate, superficial and limited. The table data reveals that 13 out of 41 respondents rate that bank engage in “ assessing the relative competitive position of the bank” as extensive and 15 respondents (37%) rate it as moderate and 22% identified it as adequate only 5% say it is limited. The mean value of these marks is 2.0750 with 0.997 Standard Deviation.

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The table's data further depicts that 17 out of 41 respondents identified that bank engagement in "Assessing the financial condition of banks" is extensive and 30% say it is moderate but 20% say adequate only 8% say that it is limited. Data shows that only 12% respondents say that bank is engagement is extensive in "Assessing stage of product/ market evolution" with this 56% say it is moderate but 20% say it is limited. It is further evident from that table above that only 4 out of 41 respondents rate "change in the action of competitors" as extensive and 19 (46%) respondents rate bank is engagement as moderate and 25% responses as adequate but 7 out of 41 respondents rate it as limited. The mean value is 2.5000 with .9058 Standard Deviation.

The "influence of environment on the bank" is rated as extensive by 5 out of 41 respondents and moderate by 21 respondents and 6 respondents as adequate however 8 respondents say that it is limited. Overall positive response is much higher with 32 respondents.

Analyzing the table above shows that bank is more inclined toward formal and non-formal planning with greater score of extensive, moderate and adequate which reveals a better score toward involvement as compare to superficial and limited involvement.

Table-13 Frequency Distribution and Descriptive Statistics with respect to "Management Characteristics"

Items	Ex	MD	AD	<i>Percentage response rate (N=41)</i>				St. Dev
				S	Li	NA	Mean	
To what extent are the branch managers involved with the planning process	6	12	5		17		2.8250	1.1522

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To what extent are department of functional managers involved with the planning process	13	13	9	5			2.1500	1.026
								5
To what extent are services department such as audit, data processing involved in the planning process	12	9	10	2	6	1	2.5000	1.339
								7
To what extent are directors of the banks involved in the planning process	16	8	8	1	7		2.2250	1.229
								7

The table above reveals the results of how much banks is engagement “Management Characteristics”. The table result reflects that higher count of respondents with 42 % disagree with branch manager’s involvement in planning process. Only 6 out of 41 respondents say bank involve bank managers in the planning process as extensive and 12 say that it is moderate whereas 5 have opinion that it is adequate. Overall result illustrate that organization under the study do not engage the branch managers in the strategic planning process.

13 out of 41 respondent’s rate “functional managers involved planning process” of bank as extensive by 13 and same count rate it moderate but 9 respondents say that it is adequate. The response of involvement of Service department in planning process was mixed as 30% say it is extensive and 21% say it moderate and 25% say it adequate with 20% as limited.

It is evident from the results that directors are actively involved in the planning process with 40% respondents as extensively and 40% (moderate and adequate) only 17% respondents identified it limited.

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Table-14 Financial Performance and Independent Variables between Male and Female Respondents (N = 41)

Group Statistics

Variables	Gender	N	Mean	Std. Deviation	F-value	P-value
ROE	Male	34	3.612	9.796	6.209	.017
	Female	6	.0000	.00000		
ROI	Male	34	5.571	18.431	5.736	.022
	Female	6	-.0021	.0046		

In order to further validate the aforementioned analysis the significant (*p*) value in respect of the aforesaid finding was statistically calculated. The result in the above table-14 reflects the level of difference of significance with respect to male and female respondents. Analyzing the data reveals that mean value of male audience is (3.612) is greater than the mean value of female (.0000) respondents which infers that male audience are more contented with the “return on equity “as compared to the female audience.

Likewise, in item of the “return on investment”, the result shows that significance level of male respondents is greater than the female respondents. The mean values of male respondents in case of the return on investment are 5.571 whereas the mean value of the female respondents against the said variables is -.002. The overall results shown by the t-test imply that responses of both the gender groups are significantly different between male and female respondents. Also, the mean values in

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both the cases are significant because of their p-values are less than 0.05 with respective F-values greater than 3.

Table-15 Financial Performance and Independent Variables between Qualification of Respondents (N = 41)

Group Statistics

Variables	Qualification	N	Mean	Std. Deviation	F-value	P-value
Strategic Planning	Graduate	7	2.0600	.65215	6.059	.018
	Post Graduate	33	2.6603	.57283		
Formal Non Planning	Graduate	7	1.6200	.48731	5.583	.023
	Post Graduate	33	2.3770	.81202		
Management Characteristics	Graduate	7	1.8214	.47246	4.783	.035
	Post Graduate	33	2.5530	.85183		

The result in the above table-15 reflects the level of difference of significance with respect to graduate and post graduate respondents. The findings of table reflect that the mean value of Post Graduate respondents (2.6603) is greater than the mean value of graduate (2.0600) audience which indicates that post graduates

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respondents are more satisfied with the strategic planning as compared to the graduates' audience.

The mean values of post graduate respondents in case of the formal and non-formal planning and Management Characteristics is 2.3770 and 2.5530 whereas the mean values of the graduate respondents against the said variables is 1.6200 and 1.8214 respectively. The greater value of mean of post graduate audience indicates level of significance in post graduates as compare to graduate. To substantiate this result value of F-values and p-values also indicate significant difference between level of post graduate and graduate respondents.

Table-16 Financial Performance and Independent Variables between Participation of the BOD (N = 41)

Group Statistics

Variables	BOD Participation	N	Mean	Std. Deviation	F-value	P-value																			
Return on Equity	Yes	36	3.4116	9.54895	3.875	.056																			
	No	4	.0000	.00000			Return on Investment	Yes	36	5.2613	17.94381	3.538	.068	No	4	.0000	.00000	Formal Non Formal Planning	Yes	36	2.2531	.85039	2.851	.099	No
Return on Investment	Yes	36	5.2613	17.94381	3.538	.068																			
	No	4	.0000	.00000			Formal Non Formal Planning	Yes	36	2.2531	.85039	2.851	.099	No	4	2.1675	.40689								
Formal Non Formal Planning	Yes	36	2.2531	.85039	2.851	.099																			
	No	4	2.1675	.40689																					

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The result in the above table-16 reflects about the significance level between yes and no responses of audience about BOD participation in the strategic planning process. The results show that the mean value of participation of BOD (3.4116) is greater than the mean value of non-participation of BOD (.0000) that indicates that respondents (BOD participation) are more satisfied with the return on equity as compared to the respondents (non-participation of BOD). In addition, the F and p-values are 3.875 (>3) and 0.056(=0.05) that further substantiate the result that there is a significant difference level between the respondents (BOD participation) and (non-participation of BOD) about return on equity.

Likewise, in item of the return on investment and formal and non-formal planning significance level of audience (participation of BOD) is higher than respondents (non-participation of BOD) that mean values of (yes) group is greater than the (No) group as shown in results. The overall result shows that significant difference between levels of BOD participation in planning process is higher than non-participation in planning process.

Table-17 ANOVA (Measures Differences between variables with respect to the

Salary of the Respondents (N = 41)

Variables	Salary	N	Mean	Std. Deviation	F-value	P-value
Strategic Planning	15000	3	2.3900	.48497		
	16000-25000	3	2.1133	.75805	3.925	.010
	26000-35000	5	1.9340	.77941		
	36000-45000	5	2.2700	.65192		
	More than 50000	24	2.8200	.45190		

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Formal and	15000	3	2.0000	.60324		
Non Formal	16000-25000	3	1.6133	.41789	5.768	.001
Planning	26000-35000	5	1.2520	.63081		
	36000-45000	5	1.9340	.62990		
	More than 50000	24	2.6254	.70136		
Management	15000	3	2.1667	.38188		
Characteristics	16000-25000	3	1.7500	.50000	4.882	.003
	26000-35000	5	1.5500	.41079		
	36000-45000	5	2.0000	.63738		
	More than 50000	24	2.8125	.79827		
Return On Asset	15000	3	-1.0638	1.84255		
	16000-25000	3	-5.2291	9.05710	3.680	.013
	26000-35000	5	-	33.94620		
				24.1661		
	36000-45000	5	-	22.91075		
				10.2460		
	More than 50000	24	1.2934	1.97653		
Return On Equity	15000	3	-.0177	.03062		
	16000-25000	3	-1.7912	3.10247	2.764	.043
	26000-35000	5	-3.9970	6.22443		

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	36000-45000	5	-2.0065	4.48658		
	More than 50000	24	6.5942	9.78555		
Earn Per Share	15000	3	-.3333	.57735		
	16000-25000	3	-.6467	1.12006	3.587	.015
	26000-35000	5	-1.5580	2.40658		
	36000-45000	5	-.4980	1.11356		
	More than 50000	24	.3654	.71672		

The table -17 shows findings of ANOVA test which was applied to measure the difference of significance level of the Strategic Planning, Formal and non-Formal planning, management characteristics and the financial analysis between five different salary packages. The data reveals the findings that F & P-values of strategic planning are 3.958 (>3) and 0.010(<0.05) respectively which support the view that about the significant difference between different salary packages. The greater mean value of higher salary package 2.8200 indicates that significant level of strategic planning of salary above than 50,000 is highest. Whereas the strategic planning is least significant for salary package of 25000-35000 with mean value of 1.9340 as compared to all other salary packages.

Likewise, for the Formal and non-Formal planning, management characteristics and return on asset, return on equity and earning per share the Salary Package greater than Rs.50,000 with its respective mean values of 2.6254, 2.8125, 1.2934, 6.5942 & 0.3654 has the highest level of significance. Whereas the salary package (Rs.25000-35000) with mean values of 1.2520, 1.5500, -24.1661, -3.9970 & -1.5580 for the Formal and Non formal Planning, Management characteristics, return on asset, return on equity & earning per share respectively has the least significant level. On the whole, the Salary package (>Rs. 50,000) has the highest significance level and salary package (26000-

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35000) has the lowest level of significance which also establish the opinion that audience with this package are not satisfied strategic planning and financial performance.

Table-18 Regression coefficients, standard errors in parentheses, t-values in brackets and p-values in italic:

Dependent Variable	Constant	Strategic Planning	Formal Non formal Planning	Management Characteristics	R-Square	F-Statistics
ROA	-60.375 (7.041) [-8.575] <i>0.000</i>	32.645 (5.841) [5.589] <i>0.000</i>	11.406 (7.443) [1.532] <i>0.134</i>	-21.707 (6.776) [-3.204] <i>.003</i>	0.707 .844	28.888 65.00 <i>0.000</i>
ROE	22.547 (2.932) [-7.090] <i>0.000</i>	1.725 (2.432) [.709] <i>0.483</i>	-5.616 (3.100) [-1.812] <i>0.078</i>	13.944 (2.822) [4.94] <i>.000</i>	.844 0.857	65.00 71.361 <i>0.000</i>
EPS	-4.854 (.385) [-12.592] <i>0.000</i>	2.095 (.320) [6.552] <i>0.000</i>	.666 (.408) [1.633] <i>0.111</i>	.888 (.371) [-2.339] <i>.025</i>	0.857	71.361 <i>0.000</i>

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	-42.836	3.667	-6.554	21.820	0.807	50.279
ROI	(6.113)	(5.071)	(6.463)	(5.883)		
	[-7.007]	[.723]	[-1.014]	[3.709]		
	0.000	0.474	0.317	.001		0.000

The result obtained from regression shows that model is more significant ($p < 0.05$) and also indicates significant relation between strategic planning and Return on assets (R- square= .707 and the F-value =28.88) and Regression analysis (β coefficient) shows 60 % variation in the dependent variable. Hence H1 is approved.

Analysis show insignificant relationship among formal and non-formal planning and financial performance because its value is greater than 0.05 and its value is 0.078 so H2 is disapproved. Management characteristics and financial performance also show positive relationship because its value is 0.00 and it is so much significant, so H3 is also approved.

Regression model of ROE with strategic planning also shows significant relationship with R-square value 0.844 which mean it is 84% at all, so it is best fitted because of return on equity and strategic planning and f-statistics give us significant results that is 65.00. The standard errors in parentheses provide information concerned to data. The overall model show significant results because two independent variables show positive and significant relationship and one variable show non-significant relationship-square values best fitted. Finally we can say that H2 is rejected, H1 and H3 are accepted.

Major Findings and Discussions

The study was intended to highlight the variables and their relations with respect to audience identifications. In the light of results established under regression analysis, it

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has been found that the financial performance has positive and substantial relationship with independent variables of strategic planning.

The results of ANOVA indicates that better salary package of staff has positive relation with financial performance of the microfinance banks. Furthermore, the findings of this study also indicate that the better salary packages and gender has critical effect on the financial performance of the microfinance banks.

A long series of studies carried out to investigate the relationship between strategic planning and financial performance in different organizations. This research study also supported and support the previous study conducted by various researchers on strategic planning and financial and organizational performance i.e. the most important and vital role of the key decision makers and executives is to participate actively in setting strategic planning (Below et al., 1987) and according to the Ruocco and Proctor (1994) who had suggested that while taking strategic planning into action they should adopt structured and formal planning approach in view of long term planning. They pointed out that for the successful planning assumptions involvement and instruction of senior executives has had very important part to be considered. In addition to this Miller and Cradinal (1994) and Andersen (2000) have concluded a affirm relationship between the financial performance of the organization and strategic planning.

However the data analysis, the findings shows that established variables are most significant for the microfinance banks. The strategic planning, formal and non-formal planning and management characteristics are critically different for financial performance

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in microfinance banks in Islamabad. This study is very important for the financial institutions for up grading their organizations in term of better performance. Further, the microfinance banks can also take guidance to find out gaps in their respective organization that how they can improve the performance of their companies.

V. Conclusion

Pakistan is a developing country and though a late starter in this industry, has also made considerable developments in Microfinance. This study examined the financial performance attained by better strategic planning and other contributing factors of demographics. By using regression analysis (β coefficient), it shows significant relation among strategic planning and financial performance, because value of regression comes much greater so it is approved. Analysis show significant relationship among gender and financial performance, the involvement of strategic planning and active participation of Board of Directors also show positive significant relationship, r-square shows the goodness and fitness of the analysis and results are best fitted because of strategic planning and financial performance, and F-statistic give us significant results. ANOVA test is applied according to salary and it reflects that the significance level of salary is highest for others. In conclusion strategic planning is associated with all of the variables and others return on asset, and return on investment are significantly correlated with each other's. Coming to the end, the collective results shown that Hypothesis 2 is rejected and Hypothesis 1 and hypothesis 3 is accepted. Strategic Planning (SP), has positive relation with Return on Asset, Return on Equity and Return on Investment because its value is

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significant. Management Characteristics has positive relation with financial performance and its value is significant, Management Characteristics also show significant association with financial performance. In present study microfinance bank is taken as study topic but in future other financial institutions like General Insurance Companies, Islamic banks can be taken. Researcher can choose involvement of top management which may change the result of such studies. Researchers can choose micro credit component of Non-government organizations with high involvement and low involvement of staff at planning and implementation stages.

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