The School of Higher Commercial Studies

Dissertation Submitted in Fulfillment of the Requirements for Master's Degree in Commercial Sciences

Major: Finance and accounting

THEME:

THE ROLE OF BUDGET CONTROL IN FINANCIAL INSTITUTIONS

STUDY CASE: AL-SALAM BANK

Submitted by:

Mis. KACIMI ELHASSANI Khedidja

Supervised by:

Dr. Mme Lebsaira Meriem

June 2023

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Writing this dissertation has been a long journey and I’m very thankful to Allah who gave me the courage, the will and the patience to complete this work.

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Dedications

Firstly, I thank Allah for giving me the strength, courage and will to see this work through to the end.

I would like to dedicate this modest work to my father, who was a constant source of love and support throughout my life. May Allah bless his soul and grant him a place in the highest levels of paradise. He was my role model in selflessness and dedication, and I strive to make him proud.
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Abbreviation	Meaning
ABC	Activity Based Costin
ABFI	Association of Banks and Financial Institutions
ABM	Activity Based Management
BDGF	banking deposit guarantee fund
BSC	The Balanced Scorecard
CFO	chief financial officer
CIBAFI	Council for Islamic Banks and Financial Institutions
CT	Corporate Tax
D/P	documents against payment
FGBR	Funds for General Banking Risk
GOI	Gross Operating Income
HR	human resources
IICRA	Reconciliation and Arbitration
IMB	Approach of the Intermediate Management Balances
IT	Information technology
KPIs	Key performance indicators
LC	Letter of credit
NBI	Net Banking Income
NR	Net results
OR	Operational result
ROA	Return On Assets
ROE	Return on Equity
TPA	tax on professional activity
ZBB	Zero-Based Budgeting

Abstract

In today's highly competitive business environment, strategic negligence is not an option for companies. They are required to anticipate future actions based on their established strategy, relying on accurate forecasting and effective budget management. Budgeting enables companies to align their strategies and quantify short-term objectives. When coupled with budgetary control, it serves as a tool to assess the performance of both activities and managers.

The objective of this study is to highlight the relevance of budgetary control and its contribution to performance measurement, particularly within the specific context of the banking sector. Firstly, we will present a set of general concepts related to our research. Then, we will bridge the gap between these theoretical foundations and practical implications by conducting a diagnostic assessment of a banking budgetary system.

Keywords: Budgetary Management, Budget, Budgetary Control, Performance, Banking.

Résumé

Aujourd'hui, les entreprises évoluent dans un environnement extrêmement concurrentiel qui ne tolère aucune négligence stratégique. Elles sont tenues d'anticiper chaque action à venir en fonction de la stratégie établie, en s'appuyant sur des prévisions pertinentes et une gestion budgétaire efficace. Le budget permet aux entreprises de mettre en œuvre leur stratégie et de chiffrer les objectifs à court terme. Associé au contrôle budgétaire, le budget devient un outil permettant d'évaluer la performance des activités ainsi que celle des responsables.

L'objectif de cette étude est de mettre en évidence la pertinence du contrôle budgétaire et sa contribution à la mesure de la performance, en se concentrant sur un secteur très spécifique, celui de la banque. Dans un premier temps, nous présenterons un ensemble de concepts généraux liés à notre recherche. Ensuite, nous établirons un lien entre ces fondements théoriques et les implications pratiques en effectuant un diagnostic d'un système budgétaire bancaire.

Mots clés : Gestion budgétaire, Budget, Contrôle budgétaire, Performance, Banque.

ملخص

في الوقت الحاضر، تتطور الشركات في بيئة تنافسية شديدة لا تسمح بأي تقصير استراتيجي. يتوجب على هذه الشركات التنبؤ بكل خطوة مستقبلية بناءً على الاستراتيجية المعتمدة، من خلال توقعات دقيقة وإدارة ميزانية فعالة. تسمح الميزانية للشركات بتنفيذ استراتيجيتها وتحديد الأهداف قصيرة الأجل. وتصبح الميزانية، مقترنة بمراقبة الميزانية، أداة لتقييم أداء الأنشطة فضلا عن المسؤولين عنها.

يهدف هذا البحث الى تسليط الضوء على أهمية الرقابة على الميزانية ومساهمتها في قياس الأداء، مع التركيز على قطاع محدد للغاية، هو المصرف. أولاً، سنقدم مجموعة من المفاهيم العامة المتعلقة بالبحث. بعد ذلك، سنقيم صلة بين هذه الأسس النظرية والآثار العملية من خلال إجراء تشخيص لنظام الميزانية المصرفي.

الكلمات الرئيسية: إدارة الميزانية، الميزانية، الرقابة على الميزانية، الأداء، البنوك

Summary

GENERAL INTRODUCTION

The Algerian banking sector is undergoing significant changes, particularly with the entry of private and foreign banks into the banking system. Banks operate in a highly competitive environment that allows no room for strategic negligence.

To confront this competition and thrive in such an environment, banks must establish a clear strategy and effective management control instruments, among which budgetary control plays a crucial role. Budgetary control represents a set of means implemented by banks to ensure effective management control, improve their performance, and achieve strategic objectives through the collection and exploitation of information.

The strategic approach in banking leads to budget management, which is a significant component of management control. Hence, the importance of implementing an effective budgetary system to enable banks to survive in this environment. Budget management, through a management structure based on responsibility centers, plays a vital role in translating strategy into action. It has emerged as an essential management tool, providing a crucial opportunity for anticipation, analysis, and reassessment to ensure a coherent and relevant allocation of resources to achieve the desired objectives.

With the increasing use of dashboards and Balanced Scorecards, one might expect budgetary practices to evolve. However, it should be noted that dashboards cannot replace budgets entirely; instead, there is a need to seek complementarity between these tools. This principle of complementarity applies to the relationship between performance measurement and budgets.

Budgets provide the basis for monitoring operations throughout the year and serve as a reference point for managers. Through budgetary control, deviations from planned outcomes are identified and serve as warning signs for identifying dysfunctions.

The objective of our research is to highlight the budgetary control process, specifically the impact of budgetary control on the management and performance measurement of Alsalam Bank.

In light of the above, we aim to address the following problematic:

How does budget control impact the assessment of the bank's performance?

To address our research objective, we will explore the following questions:

- What role does budgetary control play in managing finances in the banking industry?

- What factors need to be considered for successful implementation of budgetary management?
- In what ways can performance be assessed during the budgeting process, and how does it contribute to effective financial management in banking?

This general hypothesis constitutes an anticipated response to the problem we posed above, assuming that:

Budgetary control contributes to performance assessment through:

Identifying variances between forecasts and actuals.

Using various performance measurement tools, it enables a relevant analysis of these variances and proposes corrective actions to improve performance.

Secondary assumptions will be as follows:

H 01: Bank controlling is a process of gathering and using information to make decisions.

H 02: The budget represents the costing of a program within the framework of a plan that requires decentralized organization.

H 03: The purpose of performance measurement is to inform, encourage and influence managers with regard to the strategic orientation of their actions. The budget is a performance assessment system.

H 04: The budgetary procedures followed by Alsalam bank enable it to draw up reliable budgets and carry out effective budgetary control.

The subject of budget management is often addressed in industrial or commercial companies, but rarely in banks.

The aim of our research is therefore to show the impact of banking activity on management control, to shed some light on budgetary practices in banks, and to highlight the link between budgetary control and bank performance.

To avoid getting lost in our research, we have delimited our subject in field, time and space.

In the field, the subject is budgetary control in banks.

In time, our research covers the year 2022.

In space, our research work is limited to the budgetary process applied within alsalam, more specifically the analytical study of budgetary control. To carry out our research, we opted for a mixture of two methods:

The descriptive method, through the consultation of books, articles, websites, etc., which will enable us to appreciate the theoretical framework of our research.

The analytical method, through the practical internship, which will enable us to analyze and evaluate the application of theoretical concepts.

To conduct a comprehensive study, our research will be divided into three chapters:

- Chapter 1: Introduction, providing an overview of the Algerian banking sector, the role of budgetary control, and its relationship to performance assessment.

- Chapter 2: Budgetary control processes and performance measurement tools, exploring their integration within the budget monitoring framework.

- Chapter 3: Analysis of budgetary management practices within Alsalam Bank, including budgeting procedures, budget monitoring, identification of strengths and weaknesses, and feasible recommendations for improvement.

CHAPTER 1: OVERVIEW OF MANAGEMENT CONTROL, BUDGET MANAGEMENT AND PERFORMANE

INTRODUCTION

Banks are crucial intermediaries in the economy, providing financial services to individuals and businesses. Effective management control is vital for banks to maintain stability and profitability. In the banking sector, management control is particularly important due to the high level of risk involved. Banks heavily rely on management control tools to monitor and manage operations, reduce risk, and ensure financial stability.

Budgeting is a critical aspect of bank management, allowing banks to control costs and allocate resources efficiently. Budgetary management helps measure performance and adjust strategies accordingly. Given the regulated nature and risks in the banking industry, management control and budgetary management are essential for success.

This chapter explores the role of management control in banking and focuses on budgetary management. It covers general information on bank management control, defines budgets and budgetary control, and emphasizes the importance of performance measurement. Performance indicators are provided to track financial progress and inform future decisions.

SECTION 01: Bank Management Control:

1. Definition of a bank:

A bank is a financial institution that manages and intermediates financial transactions. It allows individuals and businesses to deposit money, make payments, borrow funds, manage investments, and benefit from financial services such as credit cards, mortgages, and savings accounts.

Banks play a crucial role in the economy by facilitating the transfer of funds between different parties. They collect deposits from customers, which are then used to finance loans and investments.

Banks can also offer financial advisory services to clients, including investment, wealth management, and tax planning.

Banks are regulated by financial supervisory bodies to ensure financial stability and protect customer deposits.

2. Banking operations:

We distinguish three categories of banking operations:

- Receiving deposits from the public: that is, from third parties, which will be used by the credit institution for its own account and are repayable.
- the distribution of credit: the term credit must be taken in the broad sense of disbursed credit, a commitment by signature, but also leasing and leases with option of purchase;[1]
- The banking payment services refer to the provision of means of payment and management to customers, regardless of the medium or technical process used.

3. Specificities of the banking activity:

The banking activity is characterized by some specificities:

- **Banks are multi-product service providers:** Universal banks offer their clients a range of hundreds of products, each with very different characteristics.
- **Banking activity takes place within a complex structure:** This complexity is due to the fact that organs not directly related to banking operations are particularly numerous, such as economic and financial studies services, legal and litigation departments, all

[1] DE COUSSERGUES (Sylvie), BOURDEAUX(Geutier), PÉRAN(Thomas): Gestion de la banque, 8th Edition , DUNOD,2017, p10

customer and securities back offices, etc. This makes most of the overhead costs fixed and indirect. In addition, network banks often manage a large number of sales outlets, branches, which are spread across the entire national territory and abroad.

- **Banking activity gives rise to linked products:** When the same production process generates two or more products, or when the consumption of one product involves the consumption of other products, we are dealing with linked products. These situations are common in banking with accounts and plans.

4. Definition and objectives of management control:

Management control refers to the process of monitoring and directing an organization's activities to achieve its objectives. This involves setting performance standards, measuring actual performance against those standards, and taking corrective action when necessary. The main goal of management control is to improve organizational performance by aligning activities with strategic goals, optimizing resource usage, and ensuring compliance with laws and regulations. It allows for tracking, evaluating, and adjusting the organization's performance to optimize results, maximize profits, minimize costs, and ensure sustainability.

Management control provides relevant information to decision-makers to make informed decisions. It involves setting up performance measurement systems, analyzing the gaps between actual results and set objectives, defining corrective action plans, and implementing processes to monitor the implementation of these plans.

The ultimate goal of management control is to ensure the short and long-term performance of the organization. It also contributes to improve communication and coordination between different stakeholders of the company.

Management control is a transversal function, based on the exchange of information, it intervenes at different levels of the company (strategic and operational), through different tools. It is a concept that includes all the phases that lead to the achievement of objectives:

- Decision: determination of the objectives, resources, the good allocation of these resources, methods of resources, methods of evaluation of results ... etc.
- Steering: monitoring of the progress of tasks, implementation of corrective actions, if necessary, review necessary, review of the objectives ...etc.
- Evaluation: performance measurement, gap analysis, etc.

It is therefore a set of means that the bank implements in order to control the management. These main missions are:

- The design and management of a decision-oriented information system.
- The control of the activity and the improvement of the performances.
- Mediation between strategy and operations.

We have selected some definitions from different authors:

According to Robert Anthony (1965), "Management control is the process by which management ensures that resources are obtained and used effectively and efficiently to achieve the organization's objectives."[1] In 1988, Simons defined it as follows: "Management control is the process by which managers influence others in the organization to implement strategies."[2]

According to Henri Bouquin: "We should call management control the systems and processes that guarantee coherence between strategy and concrete, daily actions".[3]

5. The organization of management control:

5.1. The organization of the different levels of management control in large companies:

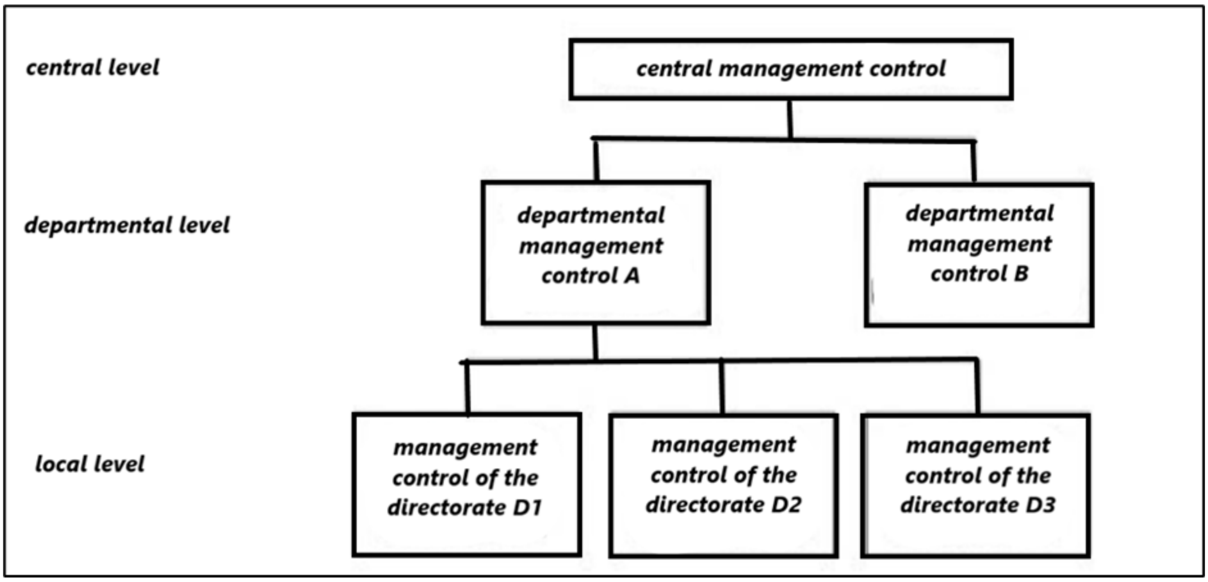
The large banks have a more or less decentralized structure with a certain number of levels of delegation with which are associated the levels of management control that we will represent by the following diagram:

[1] (Anthony), R. N. (1965). Planning and control systems: A framework for analysis. Boston: Harvard University Press.

[2] (Simons), R. (1988). How top executives use control systems as levers of strategic renewal. Strategic Management Journal, 9(S1), 19-33.

[3] BOUQUIN(Henri): Les fondements du contrôle de gestion, Presse universitaire de France « Que sais-je ? » ; N°2892, 1994.

Figure 1:Basic configuration of the organization of the different levels of management control in large banking companies



Source : Michel ROUACH, Gérard NAULLEAU, Contrôle De Gestion Bancaire Et Direction Financière, 6th Edition, RB Edition, 2012, p78.

From this organization, three levels of management control can be distinguished:

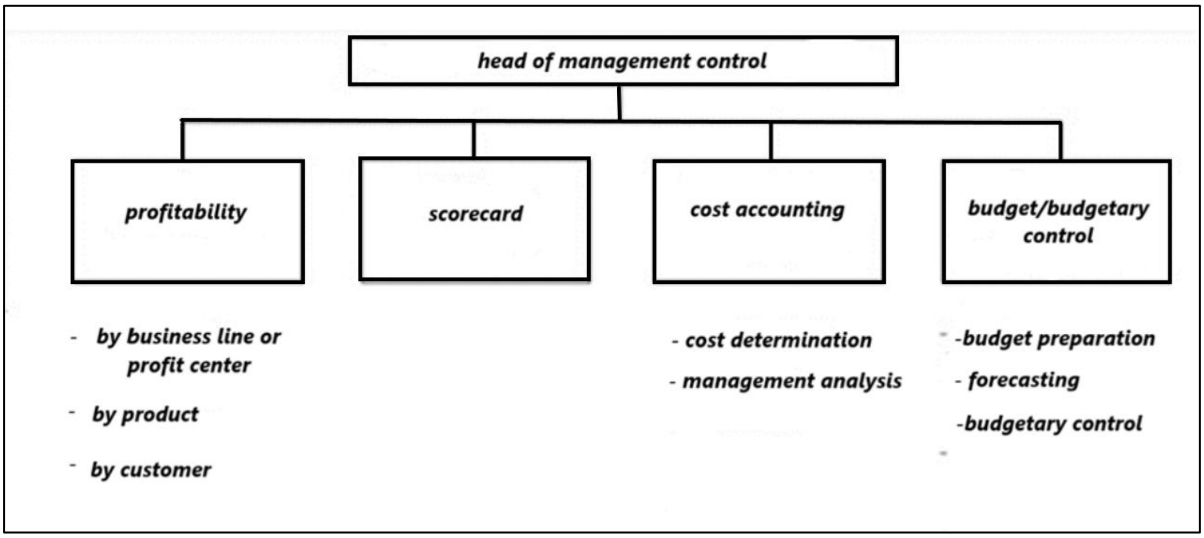
- **The central level:** also called "group management control", is responsible for consolidating essential information for general management.
- **The departmental level:** these departments correspond to the business segments selected by general management. This level of management control ensures the monitoring of entities that correspond to specific business lines (by business lines we refer to the banking activity itself: deposits, loans, management of means of payment, and financial activity: market activities, asset management, securities, etc.).
- **The local level:** this corresponds to a functional (monitoring of a function within a business line) or regional level of management control.

5.2. Internal organization of the management control department:

The organization of the management control department depends on the size of the bank and its general organization. The most common forms of organization are based on the following three configurations:

- **Organization by function:** adapted to medium-sized banks. It allows the members of the department to have an idea of all the activities through a single aspect of management control such as the budget or the scorecard.

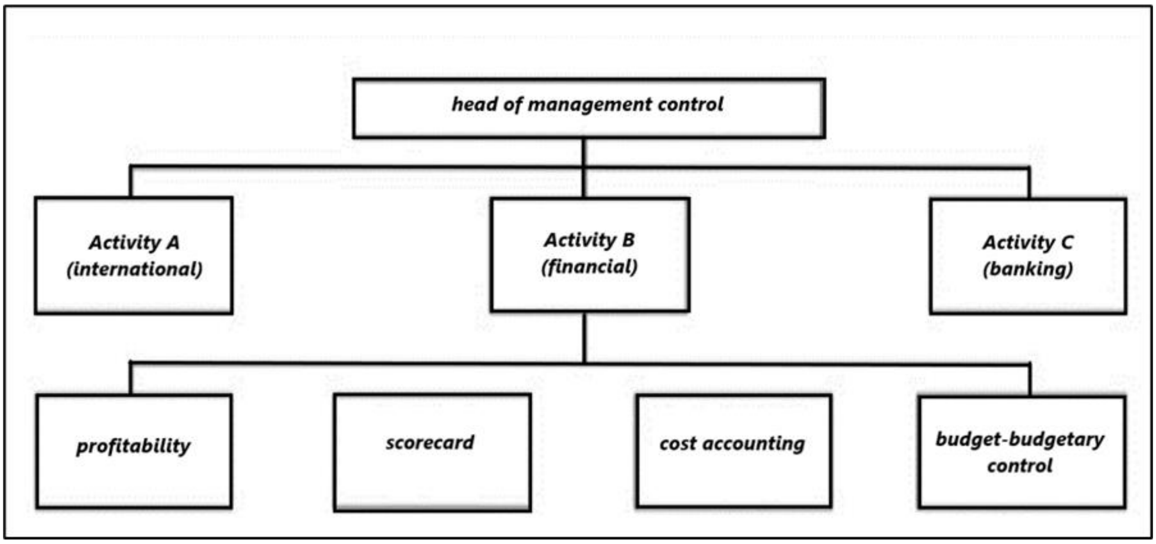
Figure 2:Organization by function of the "management control" department



Source: Michel ROUACH, Gérard NAULLEAU, op.cit, p84.

- **The organization by activity:** it is suitable for larger banks, it is a more decentralized configuration, an organization by major sector of activity.

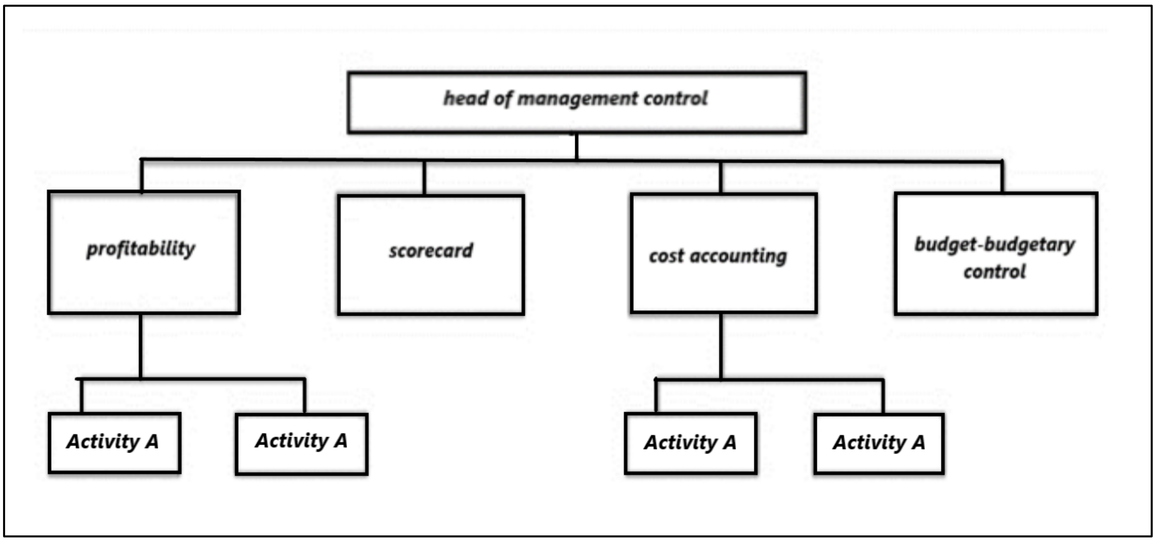
Figure 3:Organization by activity of the "management control" department.



Source: Michel ROUACH, Gérard NAULLEAU, op.cit, p85.

- **The mixed organization:** A mixed organization is a more centralized structure that combines both functional and activity-based organizations.

Figure 4:Mixed organization of the "management control" department



Source: Michel ROUACH, Gérard NAULLEAU, op.cit.

6. The tools of management control:

6.1. Segmentation of activities:

This involves defining the scope of responsibility of managers who will use management control to steer their activities.

6.1.1. The responsibility center approach:

A responsibility center is an organizational unit whose manager is committed to achieving a certain level of performance in exchange for the provision of resources.[1] The segmentation of a structure into responsibility centers follows a logic of accountability. This segmentation allows for more varied financial analyses and provides the basis for cost accounting. It also allows comparisons between centers.

6.1.2. The activity-based approach:

This method replaces the responsibility center approach. Unlike the latter, an activity-based approach is a cross-functional approach to organizations. Known as Activity Based Management (ABM), it is based on the concepts of activity, process, and value chain.[2]

[1] French Interministerial Delegation for State Reform, Guide du contrôle de gestion dans les administrations : éléments de méthodologie, 2003, p72.
[2] Fr.slideshare.net, Accessed on 15/02/2023 at 5:20 PM

It is a set of principles designed to improve the performance of systems, processes, and activities based on the needs and expectations of customers.

6.2. Measuring profitability:

This is the determination of the margin generated by the bank. Management control makes it possible to measure profitability along several axes (by profit center, by product, or by client) in order to evaluate the performance of profit centers, identify the most profitable products and activities, determine the most profitable clients, and assess the comparative performance of the various branches.

6.3. Management planning:

Management planning encompasses all the procedures that make it possible to forecast and anticipate the future. Its purpose is to guide the choice of strategic directions by the general management, its general objectives, and the determination of economic assumptions.

6.3.1. Forecasting:

This involves anticipating probable changes in the environment and the various management factors likely to affect the bank. These forecasts serve as a basis for implementing budgetary and planning procedures.

6.3.2. Planning:

The plan is a forecasting aggregate valued in the medium and long term, based on known or expected trends in the company's economic and social environment. It attempts to reduce the factors of uncertainty in the future and expresses the will of the company's management for strategic evolution. Three levels of planning can be distinguished according to the horizon:

- **Strategic planning:** established by the general management and allows the bank to formalize its actions in the medium and long term (5-7 years).
- **Operational planning:** this is the translation of strategic choices into action. It represents the practical conditions for implementing the strategy over a two- to three-year period.
- **Action plans:** These are based on the same logic as the operational plan, with more detail.

6.3.3. Budget management:

Budget management is a closed-loop type of management with feedback and a decision support system. The budget management process consists of drawing up budgets and monitoring them.

6.4. Cost analysis/Activity Based Costing (ABC):

It consists of allocating the operating costs attached to the product or customer by type of activity, which is considered as an interface between resources and cost objects. This approach represents the whole company as a series of activities with relationships between them within clearly identified processes.

In this method, the traditional relationship from the center of analysis to the product is reversed: a product is considered to consume activities, which consume resources, which have a cost for the period under consideration.

6.5. Reporting:

"Reporting can be defined as the process of passing on information from the entities of a group to the various levels of the hierarchy, and ultimately to general management. "[1]

Reporting consists of producing summary reports for the supervision of the delegation of responsibilities.

6.6. Dashboard:

This is a performance measurement tool, the objective of which is to provide assistance in steering the company or the department concerned. It assists decision-making by reducing uncertainty and facilitating risk-taking.

6.7. Information systems:

Management control conceives its relationship with the information system in a logic of means: the information system provides the information necessary for the implementation of the control process and to carry out the processing that is required of it.

[1] GIRAUD (Françoise); SAULPIC (Olivier); NAULLEAU (Gérard); DELMOND (Marie-Hélène), Contrôle de gestion et pilotage de la performance, GUALINO Edition, Paris, 2002, p86.

7. Effects of banking activity on management control:

Banks, unlike other companies, have been interested in management control for a long time and it is more difficult to introduce due to the nature of the banking activity itself. The specificities of the banking activity have some repercussions on the management control that we will summarize in the following points:

7.1. The definition of banking products:

The multiplicity of banking products implies classification and it is relevant to distinguish:

Products with capital as a support, such as loans, deposits, and securities issued or purchased. These products are defined much more in relation to the capital lent or borrowed, i.e., the amounts, and the risks.

The provision of services such as the cashing of a check. For these products, the sequence of administrative operations is more important than the amount (the cost of a transfer is more important than the amount transferred).

It is therefore essential to establish a nomenclature by major category of banking products: loans, deposits, savings, means of payment, securities transactions, insurance, and miscellaneous services.

7.2. A multidimensional control:

The concept of multidimensional control refers to the use of different management control approaches to ensure effective and efficient management of an enterprise. It is a system of management control that involves the use of multiple performance indicators to evaluate the performance of the company in different areas.

The complexity of the banking business requires a high degree of adaptability on the part of management control in order to respond to this diversity. Profitability analyses are carried out not only by profit center, but also by product, customer or business line, according to user requirements.[1]

This multidimensional control is often used in the banking sector to evaluate the performance of different banking activities such as lending operations, credit activities, foreign exchange

[1] DE COUSSERGUES (Sylvie), BOURDEAUX(Geutier), PÉRAN(Thomas) : op.cit, p152.

operations, etc. By using different controlling approaches, such as cost analysis, profitability analysis, service quality analysis, banks can get a comprehensive view of their performance.

7.3. Risk Control:

Risk control is a critical aspect of banking activity, and it has a significant impact on management control. Banking products and services are associated with various risks, including credit risk, market risk, liquidity risk, operational risk, and legal risk, among others. Effective management control requires that these risks be identified, assessed, and mitigated to ensure the bank's long-term stability and profitability.

Banking activity is accompanied by a high level of risk, which increases with each decision taken by a bank operator, in the branch or the trading room. Management systems and scorecards are often focused on activities and performance rather than on risks, which are increasingly present with the integration of risk monitoring indicators into the scorecards.

Risk control involves the implementation of processes and procedures to manage and monitor risks associated with banking products and services. This includes the establishment of risk management frameworks, the identification of key risks, the implementation of risk assessment tools, and the development of risk mitigation strategies. Risk control also involves monitoring and reporting of risk-related information to management, regulators, and other stakeholders.

SECTION 02: General Budget Management

1. Definition and Objectives of Budget Management:

Budget management is the process of planning resources and expenditures over a specified period of time. It is defined as the set of methods implemented to establish short-term forecasts reflecting the company's strategy.

Budget management is a short-term forecasting system and a decision-making tool, whose instrument is the budget and which includes all the bank's activities, which is why it requires decentralization and delegation of responsibilities to different levels. It allows for continuous monitoring through the comparison of achievements with forecasts, which highlights discrepancies that subsequently lead to corrective actions to achieve the established forecasts. It is arranged in two phases:

- Budgeting: consists of the elaboration of budgets.
- Budgetary control: based on the calculation of variances and the initiation of corrective actions.

Budgetary management is mainly designed to meet the following objectives:

- Anticipation.
- Coordination of action plans over time (strategic and operational plans and budgets).
- Communication and motivation.
- Performance management (control and evaluation).

2. Definition of the budget:

The budget is a forecast that reflects the company's strategy. It represents the cost of a program within the framework of a plan. According to Bouquin, "*it is* (or should be) *the accounting and financial expression of the action plans adopted so that the objectives targeted and the means available in the short term* (generally the year) *converge towards the achievement of operational plans* ".[1]

In fact, the budget is established to achieve the objectives previously decided in the strategic plan and therefore represents a short-term action plan expressed in figures and valued in monetary units.

[1] BERLAND (Nicolas) ; DE RONGE (Yves), Contrôle de gestion : perspectives stratégiques et managériales, PEARSON Edition, 2010, p273.

It is the translation into monetary terms of the objectives, policies, and means developed during a given period.

It is a tool for vertical coordination between top management and operational managers, as well as horizontal coordination between the various departments or functions.

Its elaboration differs according to the management methods of the companies.

3. Role of the budget:

A budget is an essential tool in the management of companies, it has several roles, including:

- Deploying the strategy and managing risks.
- Coordinating and steering the company's various activities in the short term.
- Forecasting financial needs.
- Evaluating the performance of managers and motivating operational managers.
- Communicate between different hierarchical levels and with external stakeholders
- Authorize expenditures and allocate resources.

4. Types of budgets:

The final budget of the bank is made up of different budgets of the various responsibility centers, which allows it to represent all the numerical forecasts of the bank. These budgets are linked to each other and therefore there is no question of drawing them up without taking into account their interdependence. The following budgets can be distinguished:

4.1. The projected cash flow statement:

This budget makes it possible to identify the projected deposits, in terms of resources, and the projected loans to be granted to clients, in terms of uses.

The choice of a forecasted rate for each category of resources and uses makes it possible to determine the cost of the resources and the return on the forecasted uses, which constitute the bank's costs and income linked to the capital, respectively. Similarly, forecasted money market interest rates are chosen.

4.2. The banking services budget:

This budget refers to the financial plan that outlines the expected revenue, expenses, and profit of a bank's various service offerings. This budget is created based on historical data, market trends, and projected changes in the banking industry. It is a critical component of a bank's overall financial management strategy, as it helps to ensure that the bank's resources are being used efficiently and effectively. The budget of banking services typically includes revenue and expenses related to services such as loans, deposits, wealth management, credit cards, and other financial products offered by the bank. It is an essential tool for forecasting financial performance and making informed decisions about investments, staffing, and other aspects of banking operations.

Also, this budget makes it possible to identify the number of commissions that the bank will receive for the year to be budgeted. These commissions concern the services offered by the bank to its clients: cashing of checks, bills of exchange, account management, securities transactions, etc.

4.3. The budget for operating expenses:

The operating budget includes budgets for each management unit and the overall budget, which reflect the forecasts for personnel costs and related social charges, as well as general expenses such as consumption of printed matter and supplies, external services, and miscellaneous ordinary expenses. operating expenses refer to the costs associated with the day-to-day operations of the bank, such as salaries and benefits for staff, rent for offices and branches, utilities, office supplies, advertising and marketing expenses, and IT expenses. Depreciation is calculated on the basis of the investment budget, and the breakdown and distribution of expenses between the various management units are carried out by the breakdown and distribution of expenses between the various business units are based on distribution keys or transfer rates internal.

4.4. The investment budgets:

Every investment project must be costed and evaluated. The investment may take the form of the acquisition of new equipment to replace old equipment or a project to expand the bank's activities. In this case, it is necessary to evaluate the cost of acquiring the equipment or fixed asset, as well as the cost of installation and set-up. The investment budget can be spread over several years.

4.5. The projected income statements:

The projected income statement combines the expense forecasts of the budgets. The statement includes all the revenue and expenses that the company anticipates, including operating revenue and expenses, non-operating revenue and expenses, and taxes. The cost of funds includes the return on customer deposits, as well as personnel costs, overheads, and depreciation for the operating budget. It also includes the income from the budgets related to the remuneration of loans granted to customers, as well as other banking income. The purpose of the budgeted income statement is to provide a forecast of a company's profitability and financial performance for the upcoming period, based on its planned operations and expenses. The difference between the projected income and expenses is used to determine the operating margin and the result for the year.

4.6. The projected balance sheets:

The forecasted balance sheet makes it possible to centralize all the budgets mentioned above and to note the evolution of the assets, equity, and liabilities.

5. Principles for the development and operation of the budget system:

In order to know, foresee and understand the important events affecting the bank, certain principles must be respected when preparing and voting on the budget:

- **Principle of annuality:** This principle stipulates that the budget must be established annually. It must be conceived within a time frame not exceeding one year and must be executed in the fiscal year for which it has been established.
- **Principle of the totality of the budgetary system:** This principle implies that all the activities of the company must be budgeted.
- **Principle of equilibrium:** The budget must enable the company to cover its operating and investment expenses by earnings of the same nature or else deliver a profit margin.
- **Principle of unity:** This rule is equivalent to the grouping of operations in a single document and is subject to three conditions: the unity of assets, the identification of financing needs, and the clear, coherent, and exhaustive presentation of finances.
- **Principle of coupling the budgeting system with the management style:** That is, the budgeting and control process must be consistent with the policy.
- **Principle of controllability of budget elements:** A budget center cannot be held accountable for elements that it does not control.
- **Principle of management by exception:** It is a principle of budgetary control that states that only significant variances should be analyzed and any necessary corrective actions taken.
- **Principle of non-reversal of policies and strategies:** Budgeting should stem from operational planning, which should in turn be based on the company's overall strategy.

This principle ensures that the budgeting process does not contradict or undermine the company's strategic goals and policies.

6. Prerequisites for the implementation of budget management:

Considered the last phase of the planning system, budgeting is one of the prerequisites for the implementation of a budgeting system. The first prerequisite is forecasting, which is an entry point into the planning process, and to ensure that budget management is effective, the bank must have a well-defined structure, which leads us to the third and final prerequisite, which is organization.

6.1. Forecasting:

6.1.1. Definition:

In an economy with an increasingly evolved and complex structure, forecasting is becoming an increasingly essential basis for good management. It is a matter of anticipating the probable changes in the environment and the various management factors likely to affect the bank. These forecasts serve as a basis for implementing budgetary and planning procedures.

6.1.2. Forecasting techniques:

In order to respond to the various situations where forecasts are required, a number of methods or techniques have been developed. These can be classified as follows:

- **Quantitative techniques:** the use of these forecasting techniques has developed considerably in banks, in particular, thanks to the widespread use of computer tools. Within the field of these methods, we find a large number of techniques whose common element is that the forecasts are based exclusively on historical data. Among the most commonly used techniques are moving averages; exponential smoothing; time series decomposition… etc.
- **Qualitative techniques:** in contrast to quantitative forecasting methods based on facts and historical data, these forecasting methods are based on situations where such data are not immediately available or applicable and where a greater part is left to the judgment of managers. The interpretation, in most qualitative forecasting techniques, is done by experts. Among the qualitative methods, we can mention: the DELPHI method; the sales force method; market research by surveys and questionnaires, etc.

- **Multi-criteria methods:** these techniques are based on "subjective probabilities". They are becoming increasingly important because they can be easily integrated into a global approach to decision-making. It uses the manager's judgment and is expressed in mathematical language. This combination currently seems to be gaining ground in the most successful banks. It is based on: a traditional mathematical and statistical approach by specialists, an estimate of activities by the staff concerned, and a comparison by the same management group and other managers.

6.2. Planning:

6.2.1. Definition of planning:

Planning can be defined as a process that consists of making choices about the long-term future (strategy) on the basis of an understanding of the bank's environment and its strengths and weaknesses (diagnosis) and defining the means by which these choices can be implemented (operational plan). Thus, the purpose of planning is precisely to analyze and forecast the future environment in order to identify the company's long-term needs and choose the way(s) to meet those needs.

6.2.2. The planning cycles:

The planning process in a bank typically involves a formal procedure that spans three cycles: objectives, plans, and budgets. This process engages a significant number of the bank's employees and relies on the bank's internal tools to generate a plan. It is a lengthy process that requires involvement from both the top and bottom of the hierarchy, while leaving the final responsibility for direction with the managers. The planning cycle commences with the diagnosis of the bank, followed by strategic planning and operational planning, and culminates in the budget.

- **The diagnosis of the company**: The diagnosis of a company is essentially a thorough analysis of the company's internal and external environment to identify its strengths and weaknesses, as well as opportunities and threats. This process involves gathering and analyzing information from various sources, such as financial statements, market trends, customer feedback, employee surveys, and industry reports. The objective of the diagnosis is to identify the root causes of any problems or inefficiencies in the company and to develop a plan for improvement. The diagnosis is a critical step in the planning process, as it provides the necessary information to make informed decisions about the company's future direction.

- **The strategic plan:** once the bank has established its forecasts by monitoring the environment, and detected the threats and opportunities, it must define its general objectives, its strategy, and its policies in the different functional activities. Some banks express their objectives in quantitative terms in terms of return on equity or growth. Others prefer a more qualitative formulation in terms of leadership.
- **The operational plan:** Operational planning is a detailed plan that translates the strategic plan into specific actions and tasks. It outlines the day-to-day activities, processes, and procedures required to achieve the bank's strategic objectives. The operational plan typically includes a timeline, milestones, and metrics for measuring progress towards achieving the objectives. It also identifies the necessary resources, such as staff, technology, and funding, required to execute the plan. The operational plan is usually reviewed and revised annually as part of the planning cycle.
- **Budgets:** budgets are the financial expression of the annual operating plan. They define the resources allocated to each activity and the expected results in terms of revenues and expenses. Budgets are prepared based on the objectives and action plans defined in the operational plan and are usually broken down into monthly or quarterly periods for better control and monitoring.

6.3. The organization:

The orientation of a bank's organization towards the achievement of its overall objective requires the setting of sub-objectives for the various managers. Management by objective requires a coherent division of the organization, adapted to the bank's development needs.

Decentralization within the bank contributes favorably to the success of budget management. It is a means of participation, motivation, and communication for the members of the organization.

6.3.1. Definition of a responsibility center:

A responsibility center is a group of actors in the organization grouped around a manager, to whom resources are granted to achieve the objective that has been assigned.[1] It is an

[1] ALAZARD (Claude) ; SEPARI (Sabine), DCG11 Contrôle de gestion, 3rd Edition, DUNOD Edition, Paris, 2013, p222.

organizational unit whose manager commits to achieving a level of performance in return for the provision of resources.[1]

6.3.2. Types of responsibility centers:

Depending on the level at which the responsibility center is situated in the company's hierarchy, the delegation of responsibility desired by management, the management style of the latter, and taking into account the specificities of the banking activity and its organization, the following responsibility centers can be distinguished:

6.3.2.1. Profit centers:

The profit centers include activities of a financial or commercial nature that directly generate results. The delegation covers the conditions of commercial negotiation (prices, discounts, payment terms). For the manager, it is a matter of achieving a level of revenue that will generate a margin or a level of profitability by seeking the best combination of activities and expenses.[2]

profit centers are typically the commercial branches or business units that directly generate revenue and profits for the bank through their financial and commercial activities. This can include activities such as lending, investing, and selling financial products and services. The managers of these profit centers are responsible for negotiating the terms of these activities, such as interest rates and fees, and for achieving a level of revenue that generates a margin or profitability for the bank. Additionally, the treasury department may also be considered a profit center in the banking sector as it is responsible for managing the bank's liquidity and investments to generate returns.

6.3.2.2. Cost centers:

cost centers may be subject to a typology based on the ability to formalize operational processes to transform their resources into operational activities and economic results.[3] There are three categories of cost centers in organizations: operational centers, support centers, and structural centers. This classification adds an organizational perspective to the economic and financial approach discussed earlier, which enhances its comprehensiveness and effectiveness.

- **Operational centers:** or productive cost centers, are made up of units responsible for carrying out repetitive services with a formal operating procedure, which makes it

[1] French Interministerial Delegation for State Reform, op.cit, p72.
[2] ROUACHE (Michel); NAULLEAU (Gerard), Contrôle de gestion bancaire et direction financière,6th Edition, RB Edition, 2012, p51
[3] Ibid, p.50

possible to determine resource requirements and standard product costs. These centers include the back offices of the branches; the securities management departments; loans and banking operations; the training department; the logistics department, etc.

- **Support centers:** These centers provide services that support the operational centers. They do not directly produce goods or services, but they provide necessary resources and support to other parts of the organization. Examples of support centers in a bank could be the IT department or the HR department, the marketing department; the organization department, etc.
- **Structural centers:** These centers provide essential resources and support to the entire organization. They are responsible for setting policies and procedures, managing the overall strategy of the bank, and ensuring compliance with regulations. Examples of structural centers in a bank could be the executive management team or the risk management department. the general management; the social relations department; the management control, etc. Their services are difficult to invoice since they are not identifiable by their recipient and are not recurrent.

6.3.2.3. Revenue centers:

Delegation concerns expenses and the level of activity. Most often, these are sales agencies that do not have delegation over the conditions of commercial negotiation: pricing and customer conditions are centralized. For the manager, the objective is to keep commitments on the level of business volume and an operating budget.[1]

7. Definition and objectives of budgetary control:

Budgetary control is a process of comparing and interpreting actual results against budgeted figures at different levels of the organization.[2] It can be defined by the following formula

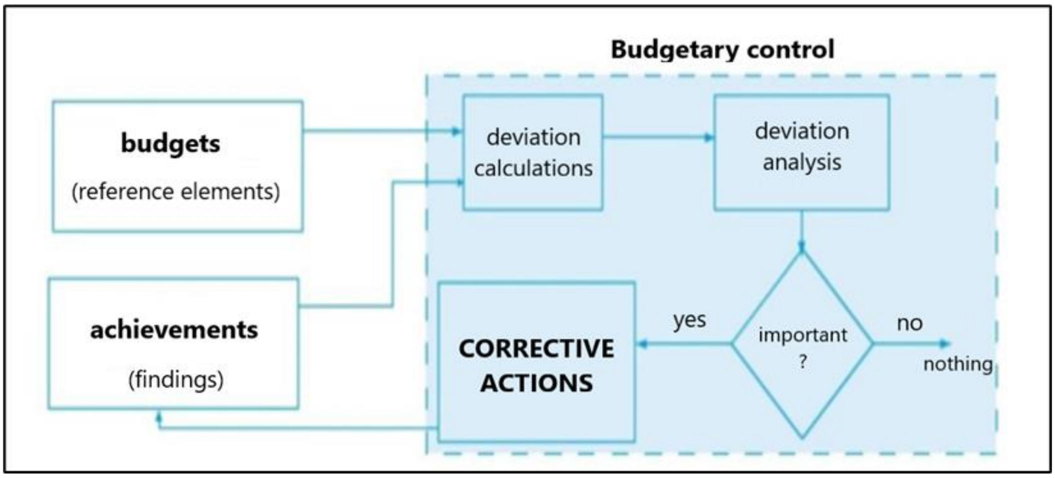
Forecast - Actual = Variance

It is a decision-making support mechanism that does not exist without a budget, but a budget can exist without budgetary control. The availability of forecasts and objectives makes it possible to limit the scope of the analysis and thus to improve its effectiveness. As a result, the discrepancies highlighted by budgetary control have led to a rethinking of the initial action plans, accompanied by a reorientation of the behavior of certain employees with a view to moving towards the realization of the budget assumptions, or the maintenance of the initial

[1] Idem, p51
[2] BERLAND (Nicolas); DE RONGE (Yves), op.cit, p. 300.

action plans, coupled with a question about the validity of the budget's assumptions, sometimes even a redefinition of the budget objectives.[1]

Figure 5:Diagram representing the principle of budgetary control.



Source: Claude ALAZARD; Sabine SEPARI, DCG 11 contrôle de gestion: manuel et application, 4th Edition, DUNOD Edition, 2016, p317.

The aim of control in an enterprise is to create conditions that will make it possible to avoid being misled in bad projects (ill-defined or ill-chosen), to limit the risks of deviations from predefined objectives, to act in the best way possible and to react in a timely and appropriate manner when malfunctions occur. The objectives of budgetary control can be identified from Mr. Gervais's definition of budgetary control, and there are five:

- Identification of variances.
- Gap analysis and identification of root causes.
- Communicate information to appropriate officials.
- Implement corrective actions.
- Appreciate the performance of different responsibility centers.

8. Stages of budgetary control:

Budgetary control involves three stages related to the action: before, during, and after the action.

[1] Ibid, p299.

8.1. Control before the action:

This stage of prior control is carried out during the budgeting process and is closely linked to the simulation function of this process. In fact, budgeting by the responsibility center constitutes a simulation of the actions envisaged and their consequences even before committing to the action, which makes it possible to check the consistency of the objectives with the assumptions used to construct the budgets.

8.2. Monitoring during the action:

This is an operational control carried out in real-time and on an ongoing basis. Its purpose is to provide precise information on the current achievements of each of the bank's responsibility centers and to steer the actions until they are completed by noting and analyzing any deviations.

8.3. Post-action monitoring:

The objective of after-action control is no longer to correct the action. Its function is essential to measure the results and therefore to evaluate performance, within the framework of a company organized into responsibility centers. It is a matter of presenting a final balance sheet for the budget period explaining the variances and reflecting on the reliability of the forecasts and their updating.

9. Conditions for effective budgetary control:

Effective budgetary management is conditioned by the success of budgetary control, which is based mainly on:

9.1. Continuity of control:

Budgetary control must be carried out on an ongoing basis, as the continuous monitoring of variances between forecasts and actuals enables the bank to react in time and take the necessary corrective action to remedy them. It should be noted, however, that the frequency of controls depends on the complexity of the system under control and the intensity of the disturbances likely to affect it.

9.2. Timeliness of results:

It is not enough for monitoring to be carried out with great frequency. In fact, to optimize the effectiveness of budgetary control, it is important to be able to interpret and analyze the discrepancies observed as quickly as possible, so the time between the observation of these discrepancies and their analysis must be minimized. The speed with which the results are obtained enables the most appropriate corrective actions to be taken and implemented at the right time for better results.

9.3. Valuation of results at the responsibility center level:

Monitoring is carried out on all the responsibility centers of the bank. It must therefore set up an effective cost accounting system in order to optimize the control of its divisions, able to value the revenues and expenses of each responsibility center.

9.4. The link between accounting and budgetary control:

In order to ensure an effective reconciliation between budgeted values and actuals, it is important for the bank to establish a clear link between its budgeted plan and its chart of accounts. One way to achieve this is to use the same headings for both the chart of accounts and the budget plan, or to link multiple accounting headings to a single budget heading. This allows for easier tracking and comparison of actual expenses and revenues against budgeted amounts, enabling the bank to identify any discrepancies and take appropriate corrective action.

9.5. Positioning of the budget controller:

The budget controller should be positioned at a level that allows them to access all the necessary information for monitoring and analysis. They should have a certain distance from the operational management to ensure their independence, but they should also be sufficiently close to understand the specificities of the business and the issues faced by the different departments. Ideally, the budget controller should report to a central financial department, such as the finance director or the CFO.

10. The limits of budget management:

Budget management, like any other management tool, has its limitations which can be summarized as follows:

- Budget design is mostly based on past models, which can perpetuate inefficient budget items.
- The organization of activity centers, responsibility designation, and control may be poorly perceived if the organization does not see the benefits.

- In the case of insincere decentralization, the budget can become a set of principles imposed on the responsible parties.
- The freedom given to responsible parties may cause their objective to deviate from the overall interest of the company.
- Environmental changes may render budgets obsolete.

Budget management is an important tool but there are limitations that must be taken into account. Here are some additional examples:

- **Rigidity**: Budgets are often considered rigid because they are usually established for a predetermined period and cannot be changed in case of unexpected changes. This can limit an organization's ability to react quickly to new conditions.
- **Lack of flexibility:** Budgets are often established in advance, which means they may not be adapted to changing business needs. Decision-makers may be reluctant to modify budgets even if they have become obsolete.
- **Conflicting interests:** Responsibility centers may have conflicting goals that can hinder the overall success of the company. Responsible parties may tend to prioritize their own goals at the expense of those of the company.
- **Lack of participation:** If responsible parties are not involved in the budgeting process, they may not be invested in its realization. This can reduce their commitment and motivation to achieve budget goals.
- **Complexity**: Budget management can be complex, especially in large organizations. Budgets can be difficult to understand and follow for people who are not directly involved in their development.

Budget management may have limitations, including rigidity, lack of flexibility, conflicting interests, lack of participation, and complexity. It is important for decision-makers to be aware of these limitations and work to overcome them to ensure that budget management is as effective as possible.

SECTION 03: Performance Fundamentals

1. Definition of Performance:

The term "performance" is widely used in the field of management. It is defined as the combination of effectiveness and efficiency. Often, the notions of relevance and economy are also associated with it. We consider these associations to be the fundamental concepts of performance.

It can therefore be defined by the following formula:

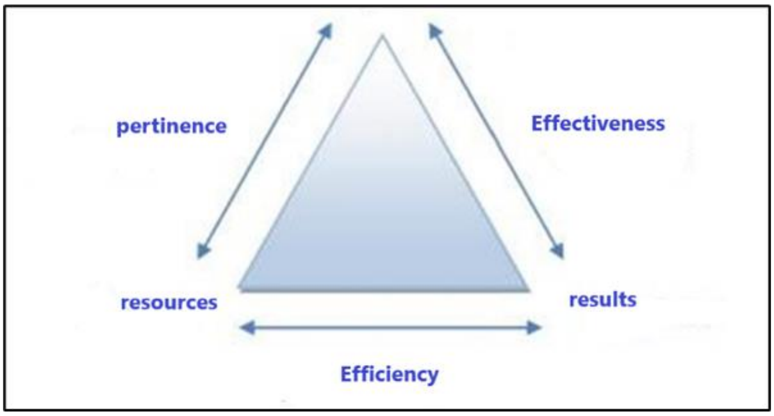
PERFORMANCE = EFFECTIVENESS + EFFICIENCY + PERTINENCE + ECONOMY

The performance of a company revolves around everything that contributes to improving the value-cost couple, thus tending towards the maximization of net value creation. The mastery of this performance requires the implementation of a set of devices so that strategic and operational objectives are achieved and the resources engaged maximize the value obtained and perceived by customers and shareholders.

It should be noted that performance is not inherently good or bad. The same result can be considered a good performance when the objective is ambitious or bad when it is modest.

2. Fundamental concepts of performance:

Figure 6:Performance triangle.



Source : Hélène LÖNING ; Véronique MALLERET ; Jérôme MERIC ; Yvon PESQUEUX, Contrôle de gestion, 4e Edition, Edition DUNOD, 2013, p07.

2.1. Concept of effectiveness:

This is the concept that qualifies the relationship between objectives and results. In other words, an entity is considered to be effective when it succeeds in achieving results in line with the predefined objectives with the resources allocated to it. Effectiveness can be defined by the following formula:

EFFECTIVENESS = Result achieved / Objective set

2.2. Notion of efficiency:

This is the concept that qualifies the relationship between means and results. In other words, an entity is classified as efficient when it manages to achieve its results with optimal consumption of resources. The concept of efficiency is summarized by the following formula:

EFFICIENCY = Result achieved/ Resource committed

Productivity, profitability, and profitability are concepts that express efficiency.

2.3. Concept of pertinence:

This is the relationship that must exist between the objectives and the means. In other words, it is the conformity of the means implemented to achieve a given objective. The means must be adapted in quality and quantity to the objectives set.

2.4. Notion of economy:

Economy refers to the conditions under which resources are acquired. For an operation to be economical, the acquisition of resources must be at the lowest cost and meet an acceptable quality.

3. The determinants of performance:

To control the value-cost couple in the company, leaders must govern people and manage activities. From there, performance has shifted from a cost logic to a value logic in the management system. It includes the following determinants:

3.1. Quality:

Optimizing quality means meeting the value attributes (standards, functions, price, etc.) imposed by markets.[1] Quality is also a matter of judgment both internally and externally, which is why the pursuit of "zero defects" should not be the only objective. It is necessary to take into account the specific expectations of the customer.

3.2. Deadlines:

The optimization of deadlines is one of the main sources of customer satisfaction and can be one of the least difficult to achieve. The flattening of the processes highlights the wasted time, it is then a question of foreseeing and respecting the deadlines on an internal and external scale.

3.3. Costs:

Optimizing costs only makes sense in relation to quality and lead time because it is value that drives costs, not the other way around. Companies seeking profitability of their products and services aim to control costs by adjusting the quality provided to predetermined standards as closely as possible.

3.4. Flexibility:

This is the ability of a company to respond to fluctuations in demand, customer tastes, and changes in the environment.

4. The importance of performance measurement:

The purpose of measuring performance is to inform, motivate, and influence managers in terms of the strategic orientation of their actions and the implementation of incentive and management systems, with the aim of accounting for the expected performance.

The objectives of a company can be set based on various conceptions of the type of desired performance and require monitoring of all dimensions of performance. In this context, measurement allows for agreement on performance objectives upstream of the management process, and ensures follow-up of the implementation of strategic choices and decisions downstream of this process. Through measurement, gaps between what is achieved and what

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[1] PENDARIES (Michel), De la gestion Coût-Délai-Qualité au pilotage par la valeur de la performance organisationnelle, Dossiers de Recherche en Économie et Gestion, 2014, p157.

is planned are also identified, and the analysis of these gaps generates reactivity. Performance management is both[1]:

- A process for disseminating information about objectives and means within the company
- An animation process to coordinate the actions of stakeholders to achieve objectives.

Management control is the most effective means of verifying if the company's objectives have been achieved through examination of the various accounts that express the real situation at the time of the said control. It deals with the monitoring of performance and provides assistance that will enable constant improvement and better adaptation of the organization. The aim of such monitoring is to improve the value-cost ratio, i.e., to optimize the resources consumed with the means mobilized for carrying out an activity. This refers to the consideration of certain assessment measures called performance indicators.

5. Performance indicators:

The performance indicators of a company are both a tool for measuring the health of the company and a decision-making tool, as they are the synthesis of key data of the company. An indicator is a statistical instrument that is presented in the form of indices, which allows observation and measurement of a phenomenon. This indicator provides information on the trend when it establishes a comparison with historical data, and on performance when it compares an actual result with a target. It allows measuring the level of performance achieved in relation to defined evaluation criteria. The goal is to improve all performance indicators, particularly the profitability of processed operations, services rendered, and products offered, to ensure the sustainability of the institution.

For a relevant performance monitoring, it is first necessary to define the indicators that serve to examine the degree of achievement of the objectives, using information provided by the information system. Then, it is necessary to establish a rigorous system of indicators to improve the measurement of performance and make the evaluations drawn from it more credible.

Often, it is necessary to establish several indicators for a single expected result to arrive at a more reliable measurement of its achievement.

[1] DORIATH (Brigitte); GOUJET (Christian), Gestion prévisionnelle et mesure de la performance, 5th Edition, DUNOD, 2011, p.178.

6. Link between the budget and performance:

The budget is a management tool that helps to estimate predictable risks and prepare operational decisions. A successful budget process aligns the strategic objectives of a company with those of the different responsibility centers, enabling the implementation of change operations and introducing negotiation spaces around the results to be achieved. This builds a powerful lever for improving bank performance. Indeed, the budget allows the implementation of performance indicators consistent with the overall objectives set.

The budget is a performance evaluation system as it integrates both the economy, efficiency, and effectiveness. It allows for a comparative approach to the results obtained with the defined objectives. The analysis of the gaps between the actual and forecasted results enables corrective actions to be taken.

Performance monitoring organizes budget negotiation and decision-making. Its objective is to encourage the company to spend more efficiently and effectively by raising awareness of the level of achievement of its objectives.

CONCLUSION

This first chapter has allowed us to discover and better understand what banking management control is in its entirety. Its main mission is to design and manage a decision-oriented information system, to control the bank's activity, and to improve its performance. He uses different tools that he will have set up beforehand. Among these tools, we have selected budget management. This allowed us, secondly, to understand the functioning of budget management through different concepts, principles, techniques, and prerequisites necessary for its understanding. Lastly, we developed the concept of "performance" and emphasized the importance of its measurement: it allows both the dissemination of information on objectives and means, and the coordination of actions undertaken to achieve these objectives.

In the following chapter, we will delve a little deeper into budget management and performance monitoring. We will look at the practice of the budgeting system, i.e., the budgeting and budgetary control processes, the measurement of bank profitability, and the main performance monitoring tools.

CHAPTER 2: BUDGETARY CONTROL AND PERFORMANCE MONITORING

INTRODUCTION

Banks play a vital role in the economy as intermediaries between depositors and borrowers, offering a range of financial services to individuals and businesses. It is imperative that banks can manage their operations efficiently and effectively to maintain stability and profitability. In the banking sector, management control is particularly crucial due to the high level of risk associated with financial transactions and the potential for severe consequences in the event of failure. As a result, banks rely heavily on management control tools and techniques to monitor and manage their operations, reduce risk, and ensure financial stability.

One of the essential tools for bank management is budgeting. A budget is a financial plan that outlines an organization's expected revenue and expenses over a specific period. Budgetary management allows banks to measure their performance against set targets and adjust their strategies accordingly. The banking industry is heavily regulated and subject to various financial and operational risks, making management control and budgetary management critical for achieving success in the sector.

In this chapter, we will explore how management control tools and techniques, including budgetary control, dashboards, and reporting, are essential for bank management and performance measurement. We will first present the budgeting cycle, the actors involved in the budgeting process, and the techniques used to establish and control budgets. Next, we will examine the budgetary control process in detail, including the prerequisites necessary for budgetary monitoring, the identification of variances, and the implementation of corrective actions. Finally, we will present the key tools for measuring bank performance, including profitability measurement, dashboards, and reporting.

SECTION 1: Budget development

1. Budgetary cycle:

The budgetary cycle is a cyclical activity that sets the pace for the annual life of a company and requires significant coordination. The budgetary calendar establishes deadlines for each phase, encompassing the entire process of developing, executing, and closing the budget for a given year. It should be noted that this schedule may vary from one company to another.

1.1. The dissemination of the orientation note:

The cycle starts in September, when the general management publishes a confidential document of a few pages called the orientation note, addressed to the executives responsible for the firm's main functions, containing the major directions of the company for the coming year in accordance with the strategic plan and taking into account any developments in the environment.

It somewhat defines the "philosophy" of the management for the coming year and sets the major guidelines in accordance with the content of the strategic plan, taking into account the necessary adjustments based on the evolution of the environment[1]

Generally, this note includes:

- An overview of the overall economic situation (inflation, economic growth, evolution of deposits, etc.)
- An anticipation of the value of certain variables to allow each department to make accurate budget forecasts (interest rates, exchange rates, major stock market indices, etc.)
- Expression of the selected strategic orientations.
- Numeric expression of several objectives.

1.2. Decentralized establishment of the "first draft" budget:

During the month of October, after defining the major orientations for the coming year, each service, department, or subsidiary is required to establish its own budget, which may be subject to revision and arbitration. This is the development of pre-budgets. The development of this

[1] LECLERE (Didier), L'essentiel de la gestion budgétaire, 2nd Edition, Edition EYROLLES, 2012, p22.

draft should be done in the most decentralized way possible because the operational staff hold the necessary information, which also plays an important role in motivating managers.

For the preparation of these pre-budgets, responsibility centers receive a note describing the budgetary procedure, templates for completing the documents, and corresponding deadlines for returning them. They also receive the status of actual figures as of the end of June of the current year for their net banking income, general expenses, gross operating income, net income, as well as certain statistical statements related to the activity. It is recommended to include a "comment" column in order to justify the assumptions made about activity and revenue for N+1. During this budgetary framing phase, management control ensures the involvement of responsibility centers and proposes its assistance.

However, this approach of centralization/decentralization must be nuanced because it depends on the activity: the more diversified it is, the more decentralized the establishment of budgets will be.

1.3. Budget harmonization and the "navette" procedure:

Due to the decentralized establishment of pre-budgets, different managers may have divergent positions on many issues which will have an impact on budget preparation. Therefore, in November, it is necessary to harmonize these pre-budgets, coordinate, find compromises, and make arbitrations. This harmonization procedure is based on the principle of the budgetary shuttle and must be done in a centralized manner in order to critically examine the budgets from the perspective of their coherence: coherence among themselves and with the objectives and financial constraints of the company.

In the French context, the "navette" procedure refers to the back-and-forth discussions and negotiations between the different levels of management and the different departments within the bank to reach a consensus on the budget plan. The process typically involves several stages of review, discussion, and revision, with each level of management providing feedback and recommendations on the budget plan.

The goal of budget harmonization and the "navette" procedure in the banking sector is to ensure that the bank's resources are allocated efficiently and effectively to achieve its strategic objectives while also managing risks appropriately.

1.4. The final budget:

After a few iterations, we should end up with a budget that respects the different constraints and satisfies the functional managers as well as the general management. The final budget is obtained and must be finalized by the end of December, before the end of the fiscal year, and then disseminated to the various stakeholders. For this purpose, the management control may use standardized budget notification documents accompanied by a possible note signed by the general management.

The final budget serves as a benchmark against which actual performance is monitored and measured, and it is subject to regular review and adjustment as circumstances change.

2. The actors involved in budget management:

Budgeting must reflect the company's short-term strategy and involve various actors, mainly:

2.1. The general management:

In charge of establishing the company's strategy and planning after conducting an external and internal diagnosis.

It must predict and organize the actions and means allocated to manage activities in the medium/long term. It is the role of managers to reduce this strategic plan to the short term (budgets) and to adapt to any changes.

It expresses its expectations of each administrative unit in a quantified manner, that is, after evaluating the extent of its desires.

2.2. The management controller:

The management controller is at the heart of the budgeting process and is responsible for:

- Collaborating with the management and budget responsible parties and participating in budget arbitration.
- Contributing to the design of the budget calendar.
- Assisting in the development of guidelines for assumptions to be made in budgets.
- Establishing and managing the forms to be filled out according to the guidelines.
- Maintaining an organizational chart containing the names of the budget responsible parties, budget codes by department, and the names of people to contact in case of problems.

2.3. Responsibility center managers:

At the operational level, they are in daily contact with the realities of the field. They report relevant information to the general management about the market and express their objectives, actions to be taken, and resource needs through the establishment of pre-budgets corresponding to their responsibility center, to enable it to make necessary adjustments to achieve its initial objective.

2.4. The budget committee:

This is a group that brings together the aforementioned actors to emphasize the participatory approach. Members are gathered for budget arbitration purposes.

In the banking sector, the budget committee may be composed of senior managers, finance professionals, and other relevant stakeholders.

The budget committee may also provide guidance and support to individual responsibility center managers as they develop their own budgets and work to achieve their performance targets.

The management presides over this committee, the managers defend their budgets and try to maximize them, while the controller plays the role of advisor by providing clarifications to guide the reflection in a direction that is consistent with the interests of the company.

3. Techniques of budgeting:

Banks can use various techniques for budgeting, and the choice of the method depends on several factors, such as the bank's objectives, available resources, and the market conditions.

3.1. Top-Down Budgeting:

Top-down budgeting starts with setting overall financial goals and targets at the organizational level. The budget is then allocated to different departments and branches based on their specific objectives and performance targets. This technique ensures that budgetary decisions are aligned with the bank's strategic objectives and provides a framework for resource allocation.

3.2. Bottom-Up Budgeting:

Bottom-up budgeting involves soliciting input from individual departments and branches to develop the overall budget. Each unit prepares its budget based on its anticipated expenses, revenue projections, and growth plans. These individual budgets are then consolidated into a comprehensive budget for the bank. Bottom-up budgeting encourages participation, accountability, and detailed forecasting at the departmental level.

3.3. Activity-Based Budgeting:

Activity-based budgeting focuses on identifying and allocating resources based on specific activities or business processes within the bank. This technique involves analyzing the cost drivers of each activity and budgeting accordingly. By linking resources directly to activities, banks can better understand the costs associated with different services, products, or operations.

3.4. Rolling Budgets:

Rolling budgets are continuously updated and typically cover a specific time horizon, such as 12 months. As each month or quarter passes, the budget is revised, and a new period is added to the end of the budget cycle. This technique allows banks to adapt their budget in response to changing market conditions, business performance, and external factors.

3.5. Zero-Based Budgeting (ZBB):

Zero-based budgeting can also be employed in the banking sector. As mentioned earlier, this technique requires justifying and allocating resources from scratch for each budget period, regardless of the previous budget's allocation. Zero-based budgeting helps identify unnecessary expenses, promotes cost-consciousness, and encourages a thorough evaluation of each budget line item.

Budgeting techniques in the banking sector need to consider regulatory requirements, risk management, profitability, and customer needs. The specific technique(s) chosen will depend on the bank's size, complexity, strategic priorities, and internal processes.

This method of budgeting is designed to ensure that successive budgets are not simply budgets are simply a continuation of previous years' budgets. It applies to most of the peripheral or logistical units and aims to redefine units and aims to redefine the structural costs (those represented by the general services). services). On the basis of a cost-services analysis, it is decided whether the budgets should be increased, reduced or eliminated. Ultimately, each unit must justify its retention within the organization, its expansion, its outsourcing or its eliminated.[1]

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[1] FORGET (Jack), Gestion budgétaire : prévoir et contrôler les activités de l'entreprise, Organisation Edition, 2005, p14.

SECTION 2: Budget control process

1. The prerequisites of budgetary control:

The budget obtained during the budgeting phase is a static budget since it was designed based on well-defined assumptions. The comparison between forecasts and actual results allows for an efficiency control, that is, to verify if the objectives are achieved. It does not provide any relevant information about the performance of management factors.

To enable an assessment of efficiency, it is necessary to review the budget and reconstruct it based on actual activity. It is also necessary to perform an exception control, in that only variances that exceed a pre-defined tolerance threshold should be presented and explained.

1.1. The flexible budget:

The flexible budget is a particularly useful analysis tool that contributes to the adequate interpretation of observed variances. It corresponds to the initially established budget, adapted to the actual level of activity.[1]

A flexible budget is a budgeting approach that adjusts the budget based on changes in activity levels. It is a tool used to help businesses and organizations manage their finances by creating a budget that can adapt to changes in the level of output or sales. Unlike a static budget, which is fixed regardless of the level of activity, a flexible budget is dynamic and can be revised as needed to reflect changes in activity levels.

The use of this technique requires a perfect knowledge of the variation of costs according to the level of activity as well as the distinction between fixed costs and variable costs. The flexible budget allows for a comparison between the amounts realized and budgeted on the same reference basis, namely the actual level of activity.

1.2. Control by exception:

It refers to a budgetary control approach where managers focus on monitoring and analyzing significant deviations from the budget, rather than scrutinizing every transaction.

It is based on the premise that managers should only be alerted and intervene when significant deviations occur, rather than examining every single aspect of the budget.

[1] BERLAND (Nicolas) ; DE RONGE(Yves), op.cit, p302.

This method involves setting up predetermined thresholds, known as "exception criteria," for acceptable variances in the budget. These thresholds are typically expressed as a percentage (percentage = (variance/budget) x 100) of the budget, and deviations above this percentage are flagged as exceptions requiring further investigation and corrective action.

Each budget manager must determine the appropriate thresholds for their area of responsibility based on the cost of analyzing the variance compared to the expected benefit, the degree of uncertainty in the established norm, and the available means of correcting the variances without involving higher-level management.

2. Frequency of control:

As mentioned in the first chapter, one of the conditions for effective budget control is the continuity of control. In this context, it is necessary to establish a control that must be both continuous and periodic.

2.1. Continuous control:

Continuous control involves monitoring and measuring performance on an ongoing basis. It is a proactive approach to budgetary control that involves constant supervision and adjustment of activities to ensure that they remain on track and in line with the budget.

In continuous control, information is collected frequently and analyzed in real-time, allowing for quick identification of any potential issues or variances from the budget. This type of control is particularly useful for activities that are high-risk or have high costs, as it allows for timely action to be taken to prevent problems from escalating.

This type of control provides the budget manager with the ability to exercise his judgment and make relevant decisions. The manager can create dashboards and periodic reports to monitor the variances in his activity and highlight any issues that require intervention from higher-level management. This type of control is particularly useful when the manager cannot control the situation alone or requires guidance on a new point that is deemed essential.

2.2. Periodic control:

Periodic control is a form of budgetary control where information is transmitted by the managers of each responsibility center to their superiors. These reports include the actual performance of different responsibility centers in the organization, the variances observed, their causes, and the corrective actions to be taken at each of these entities.

This type of control is usually carried out on a regular basis, such as weekly, monthly, or quarterly, and it helps managers monitor progress towards achieving their budgeted goals and take corrective actions as necessary. The periodic control allows for a more structured approach to budget management, as it ensures that the hierarchy is kept informed and involved in the budgetary process.

2.3. Occasional control:

Occasional control is performed on an ad hoc or as-needed basis. It may be triggered by unexpected events or circumstances, such as a major economic crisis, a significant change in the competitive landscape, or a major disruption to the organization's operations. The occasional control is aimed at identifying and addressing the specific issues that arise during these exceptional situations.

It is used to verify the accuracy and reliability of the information provided by the periodic and continuous controls. The occasional control can be carried out by internal or external auditors, inspectors or any other independent body. Its purpose is to detect any potential fraud, errors, or weaknesses in the budgetary control system.

3. Recognition of budget variances:

Measuring a budget variance involves quantifying the difference between actual and budgeted/forecasted amounts for a given period. Conventionally, the basic formula is as follows:

Variance = Actual – Budget or Forecast

Therefore, the significance of this difference can be seen as either favorable or unfavorable for the bank, depending on the budget category analyzed (revenue or cost). The following table summarizes the interpretation of variances in different scenarios:

Table 1:Interpretation of variances.

	Positive (>0)	Negative (<0)
Revenue variance	Favorable	Unfavorable
Cost variance	Unfavorable	Favorable
Margin variance	Favorable	Unfavorable

Source: Nicolas BERLAND; Yves DE RONGE, Contrôle de gestion : perspectives stratégiques et managériales, PEARSON Edition, 2010, p301.

4. Principles of measuring and analyzing variances:

In banks, variance analysis involves evaluating the performance of a responsibility center using three control elements:

- Variances related to the operating process: these are variances related to resources and their costs, employment and compensation, personnel expenses, overhead expenses, etc.
- Activity variances: these are variances related to the various operations processed by a responsibility center, such as account openings, processed checks, transfers, etc.
- Variances related to various management elements relating to personnel and the results of banking activities: this involves evaluating headcount, the rate of return on equity, investments, and actions.

To better understand the origin of variances, each variance can be broken down into two levels volume variance and rate variance.

By analyzing variances in this way, bank managers can identify the root causes of performance deviations and take corrective action where necessary.

If we pose:

$\boldsymbol{V_R}$: Realized volume (realized number of credits or resources, for example).

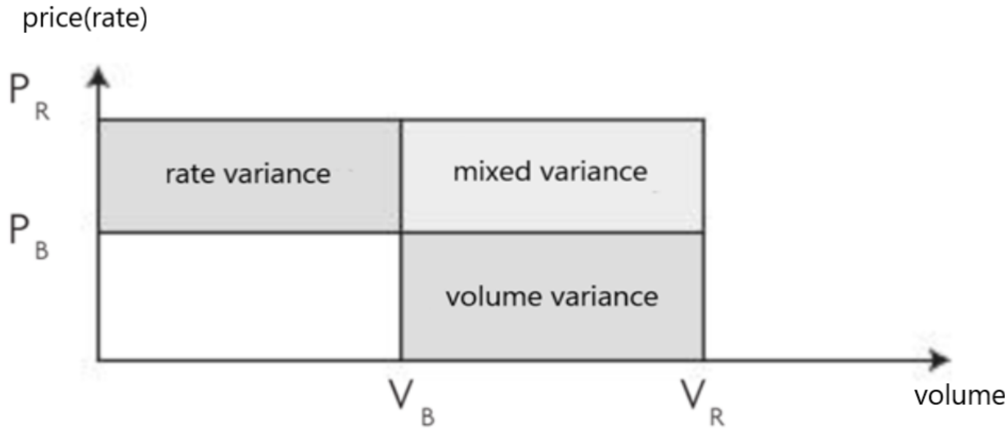
$\boldsymbol{P_R}$: Realized price (effective interest rate).

$\boldsymbol{V_B}$: Budgeted volume (budgeted number of credits or resources).

$\boldsymbol{P_B}$: Budgeted price (budgeted interest rate) I: Interest paid or received.

The variances between budget and actual can be represented by the following graph:

Figure 7: Types of variances



Source : Gérard NAULLEAU ; Michel ROUACH, Contrôle de gestion et stratégie dans la banque, 3rd Edition, Edition RB, 2013, p49.

The total variance between actual and budgeted interest is obtained as follows:

$$total\ variance = \underbrace{(V_R \times P_R)}_{\text{Actual interest}} - \underbrace{(V_B \times P_B)}_{\text{Budgeted}}$$

Price variance: $P_V = (P_R - P_B) \times V_B$

Volume variance: $V_v = (V_R - V_B) \times P_B$

Mixed variance: $V = (V_R - V_B) \times (P_R - P_B)$

5. <u>Types of budget variances:</u>

5.1. Cases of budget overruns:

In investment, budget overruns may be caused by:

- Underestimation of the value of budgeted acquisitions.
- Urgent and essential needs.

In operation, overruns are usually caused by unforeseeable tariff increases or exceptional and indispensable expenses.

5.2. Cases of non-budgeted operations:

This situation occurs when some responsibility centers initiate investment or operating operations due to an urgent and indispensable need, but they do not have appropriate budget lines. These uses should be the subject of requests for budget extensions to the management control unit.

5.3. Cases of partial realization or non-use of the budget:

This situation mainly concerns the investment budget. Many operations included in the budget, such as agency creation, development, land acquisition or construction, are not carried out or carried out partially and are repeated year after year.

5.4. Cases of budget extension requests:

These involve dealing with budget supplement requests from certain central and/or regional structures expressing their need for additional expenses. Three types of budget entries may result from insufficient budget allocation, appearance of exceptional and indispensable expenses, or tariff increases.

In this regard, the management control unit receives budget extension requests, processes them and submits them to the opinion of the financial division and/or the general management for authorization of additional spending.

6. Analysis of variances:

The four reasons listed for the occurrence of variances or deviations are:

- A modification of data.
- The emergence of an unknown or unexpected phenomenon.
- An error in assessing the consequences of decisions.
- A modification of decisions or their implementation.

The analysis of these variances will allow for:

- Updating the data.
- Integrating new factors into the bank's economic mechanisms.
- Challenging accepted ideas.
- Controlling the application of decision.

The exception method described above allows for the identification of significant variances. However, two pitfalls should be avoided:

- A variance of 10% on significant figures can have serious consequences, while a variance of 10% on minor figures can be insignificant. For example, a variance in the cost of resources can have significant implications for the bank's profit margin.
- A low-percentage variance may hide two or more significant variances in opposite directions. For example, a significant variance in the interest rate applied to a category of loans may be offset by a favorable variance on certain collected resources, and thus mask a decrease in the return on reinvested capital.

The calculation and interpretation of variances should be the starting point of a management dynamic and not the trigger for economic sanctions. This dynamic is the result of corrective actions to be implemented.

7. Implementation of corrective actions:

Analyzing the variances alone is not sufficient, it is necessary to know how to react to the variances: what needs to be done? Who will do it? How will it be done?

After identifying the causes of the variances, the responsible manager of the management unit must explain to the director of the management control how he plans to correct these variances and the actions he will undertake with respect to the budget. These reflections are generally conducted during systematic quarterly account review meetings and at subsequent meetings, they review the progress of the corrective measures decided upon.

7.1. Nature of the corrective action:

The nature of the corrective action depends on the type of variance observed. It may involve revision and improvement actions aimed at:

- **Changing the expected result:** this is an anticipated control, where the results being predicted, corrective action can be implemented before the operation is fully completed.
- **Influencing future outcomes:** in this case, it is a retrospective control, and corrective action concerns only the course of future operations.

It may also involve taking no action. The variance may simply be due to an accidental or temporary phenomenon that has nothing to do with the activity of the unit under control.

It is therefore very important to identify the probable causes associated with the variances in order to develop an appropriate action plan.

7.2. Characteristics of a good corrective action:

A corrective action is effective when it meets the following criteria:

- **Rapid:** the timing of the corrective action is crucial, as a late action can have the opposite effect. It is therefore essential to implement the corrective action as soon as the gap appears or at least as early as possible since the detection and interpretation of information takes time.
- **Appropriate:** the corrective action should focus on the gap that has the greatest impact on the results. There should also be some rationalization in the correction, meaning that an adequate dosage of correction is necessary to avoid achieving opposite or undesirable results.

SECTION 3: performance measurement tools

1. Profitability measurement:

For a bank to remain viable, profitability is a key consideration. It is defined as the convergence of the effects generated in terms of costs with the actions taken. Measuring profitability is one of the main roles assigned to management control, as it involves determining the margins generated by the entity resulting from the difference between revenues and costs in order to encompass sources of wealth and assess the bank's commercial strength. To do this, the management controller is required to establish relevant profitability indicators and to continuously monitor them.

1.1. Approach of the Intermediate Management Balances (IMB):

1.1.1. Net Banking Income (NBI):

Net banking income measures the balance between bank operating revenues and expenses.

More specifically, operating revenues are composed of interest and commissions, excluding interest on doubtful debts but including provisions and recovery of provisions for depreciation of investment securities as well as gains or losses on securities.

NBI = Banking operating products - Banking operating charges

Net banking income constitutes the gross margin of the bank on all banking activities. This indicator can be structured as follows:

- Customer margin
- Treasury and investment margin
- Commissions.

Commissions on services are increasingly sought after by banks to improve their profitability and because they are not sensitive to changes in rates.

1.1.2. Gross Operating Income (GOI):

GOI = NBI - Overhead expenses - Depreciation

Overhead expenses include personnel expenses and other administrative expenses.

This balance assesses the bank's overall ability to generate a margin after allocating the cost of resources and operating costs without taking into account the cost of risk.

1.1.3. Operational result (OR)

OR = GOI - Cost of risk

This result allows to evaluate the profitability of the bank after taking into account the cost of risk.

The latter is composed of the following elements:

- Provisions and reversals of provisions for depreciation of all kinds of loans and fixed income securities.
- Provisions for off-balance sheet commitments.
- Losses on irrecoverable loans and recoveries on amortized loans.

1.1.4. Net results (NR):

NR = OR +/- Exceptional result - Funds for General Banking Risk (FGBR) – Corporate Tax (CT)

The FGBR corresponds to Funds for General Banking Risks, which constitute all provisions that have not been affected or are free to use, allowing banking institutions to protect themselves against potential risks that have not been specifically regulated.

This last margin, the NR, allows to appreciate the economic profitability of banking agencies.

1.2. The ratio approach:

A ratio is a coefficient or percentage that relates elements of the balance sheet or income statement. It consists of putting accounting information, having a logical relationship of comparison or causality, in the form of reports constituting synthetic indicators that provide information on financial performance, profitability, productivity, solvency, liquidity, etc.

There are several profitability monitoring ratios that allow relationships to be established between the different banking management variables. In the following we will present the most important ratios:

1.2.1. Overall profitability ratios:

- **Return On Assets (ROA):** this ratio measures the efficiently the bank uses its assets to generate profit.

  It indicates the rate of net banking income generated on average on all the bank's assets.

ROA = Net income/Total assets.

- **Return on Equity (ROE):** this reflects the level of return on the bank's equity. It makes it possible to monitor the level of return on equity invested by shareholders and to guarantee the bank's solvency. This ratio is calculated by the following formula:

ROE = Net Income/Equity.

1.2.2. Operating profitability ratios:

- **Profitability ratio:** this ratio measures the relative capacity of the profit center to generate profits through the characteristics of its current activity. It is calculated as follows:

Profitability ratio = Net income/NBI.

- **Operating ratio:** this measures the proportion of NBI absorbed by overheads. It provides information on the control of expenses.

Operating ratio = Overheads/NBI.

2. The axes of profitability measurement:

The measurement of profitability in the banking sector can be carried out along several lines, given its complexity and multifaceted nature.

2.1. Profit center-based profitability measurement:

This is the most favored approach in banks. It allows the bank's overall results to be broken down into profit centers, to assess their level of profitability and to determine the contribution of each entity, thus stimulating internal competitiveness.

Measuring profitability by profit center involves analyzing the profitability of each unit or division within the bank that generates revenue and incurs expenses. This approach allows for a detailed analysis of each profit center's performance and profitability, enabling management to make informed decisions about resource allocation and strategic planning.

2.2. Measuring profitability by product:

Thanks to this analytical approach, in complementarity with the previous one, it is possible to determine which products are profitable in banks. It allows for prioritizing products based on their profitability criteria and focusing on the most lucrative ones.

This dimension implies knowledge of the cost price, and therefore of the margins generated by each product.

2.3. Measuring profitability by customer:

This dimension is more and more required in management control. The analysis of profitability by client requires a fairly high and precise level of information. Given the large number of clients and the multitude of operations that can be carried out per client, the bank must have a sufficiently flexible information system.

This type of measurement is essential in the assessment of profitability, relationship marketing and in the strategic orientation of commercial negotiations. It allows the bank, if the relationship it has with one of its customers is profitable or not, to know the contribution of this relationship in its global result through the calculation of the customer margin, as it allows the follow-up of the evolution of this relationship in time.

3. The dashboard and budgetary control:

The dashboard and budgetary control are essential tools in the financial management of a bank, they provide a comprehensive overview of key financial and operational indicators, allowing for effective monitoring and control of performance.

The dashboard is a visual representation of critical metrics and key performance indicators (KPIs) that provide a snapshot of the bank's performance. It offers a concise and easily understandable summary of financial data, enabling decision-makers to quickly assess the bank's financial health and identify areas that require attention. They serve as a means of management dialogue between different hierarchical levels, both vertically and horizontally. The dashboard typically includes information on revenue, expenses, profitability, liquidity, risk, and other key metrics relevant to the bank's operations.

Budgetary control, on the other hand, involves comparing actual financial results with the budgeted targets. It helps in tracking and evaluating financial performance by monitoring expenses, revenues, and other financial aspects against the predetermined budget. By comparing actual figures with budgeted figures, budgetary control enables management to identify deviations, analyze the reasons behind them, and take corrective actions if necessary. This process facilitates better financial planning, resource allocation, and decision-making within the bank.

The combination of the dashboard and budgetary control provides a comprehensive framework for assessing and managing the bank's financial performance. The dashboard offers a real-time view of key indicators, allowing for quick identification of trends and potential issues.

Budgetary control, on the other hand, ensures that the bank's financial operations are aligned with its strategic objectives and helps in maintaining financial discipline.

Together, these tools enable bank management to make informed decisions, optimize resource allocation, control costs, and monitor performance against targets. They contribute to the overall financial stability, efficiency, and profitability of the bank. Regular monitoring and analysis using the dashboard and budgetary control help in identifying areas for improvement, implementing corrective measures, and driving the bank towards its financial goals.

3.1. Definition and objectives of the dashboard:

As defined by Mr. Gervais, "the dashboard corresponds to an information system that makes it possible to know, on a permanent basis and as quickly as possible, the data that are indispensable for controlling the company's operations in the short term and facilitating the exercise of responsibilities within the company."[1]

According to Claude Alazard and Sabine Separi, "a dashboard is a set of indicators organized as a system, followed by the same team or the same manager to assist in decision-making, coordination, and control of actions within a department."[2]

It is therefore a tool for piloting and synthesizing relevant information, allowing decision-makers to assess whether the operations are running smoothly or not. There is no single model for a dashboard; it is tailored to the users' needs and the objectives they seek to achieve, providing them with an overview of the state and evolution of the systems they oversee. Its objectives can be summarized as follows:

- Pilot: It aids in decision-making by presenting only relevant information, thereby contributing to the implementation of effective measures.
- Facilitate: The dashboard enables collective thinking, fostering information exchange and interaction among different stakeholders within the company.
- Organize: It provides information on the performance level of a department. The indicators inform managers about potential deficiencies and guide them towards actionable strategies to achieve the set objectives.

[1] AUGE (Bernard); NARO (Gérald), Mini Manuel De Contrôle De Gestion, Edition DUNOD, 2011, p197.
[2] Ibid.

3.2. Advantages of dashboards in budgetary control:

Budgetary control is primarily a financial monitoring process, and the information it presents may not necessarily have meaning for the intended managers. Therefore, it is crucial to transform this information into actionable data, enabling them to link it to the business activities and make informed decisions.

This is where the connection between budgetary control and dashboards becomes meaningful: in addition to the key figures provided by budgetary control, dashboards incorporate activity indicators that provide additional insights into the financial view of performance.

It is important to put financial data into perspective with activity data, allowing managers to establish connections between the two and identify the causes of budgetary deviations. This analysis helps them determine actions to remedy or leverage these deviations and measure the impact of the decisions they intend to make.

3.3. Periodicity of the budget dashboards:

Generally, budget monitoring is carried out monthly or quarterly depending on the size of the company and its need for control. As far as dashboards are concerned, the frequency of their design is not defined, not all dashboards are necessarily monthly or quarterly, their establishment must be adapted to the needs of managers, but there is a complementarity between the two: between budgetary control and dashboards, which makes it desirable to accompany the first with a dashboard corresponding to this period to allow the exploitation of the results of the budgetary control carried out.

3.4. The Balanced Scorecard (BSC) and budget control:

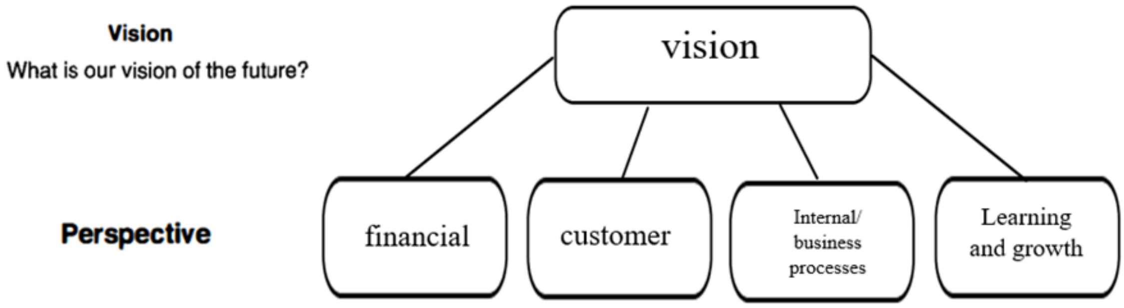
By balanced scorecard we mean not only a particular structure for the "scorecard" itself, but also the processes involved in using it. The balanced-scorecard concept is thus an element of a well-developed system of strategic control and a response to the criticism levelled at traditional management control.[1]

The Balanced Scorecard is the most appropriate tool for assessing the achievement of strategic objectives. It gives equal importance to financial and non-financial indicators by integrating

[1] OLVE (Nils-Gbran), ROY (Jan) and WETTER (Magnus), A Practical Guide to Using the Balanced Scorecard, p12.

four perspectives or evaluation axes and establishes causal links between the different indicators for a relevant evaluation. These axes are illustrated in the following diagram:

Figure 8:The prospectives of the Balanced Scorecard.



Source: "Putting the balanced scorecard to Work" by Robert S. Kaplan and David P. Norton, September October 1993, p.139.

- **The vision:** In the uppermost portion of the model there is the company's vision at the highest level. By vision we mean a company's desired future situation. The purpose of the vision is to guide, control, and challenge an entire organization towards realizing a shared conception of the company in the future.
- **Perspectives:** The overall vision is decomposed and described in terms of a number of perspectives. The most frequently used perspectives are the shareholder and financial perspective, the customer perspective, the internal/business-process perspective, and a learning and growth perspective. Certain companies have added a separate employee or human perspective.

The Balanced Scorecard, provides a broader and long-term perspective for performance measurement and resource allocation. Unlike traditional short-term monitoring, which often focuses solely on financial metrics, the strategy-oriented approach considers a range of perspectives and indicators that align with the organization's strategic objectives.

We have summarized the advantages of such a system in comparison with a traditional system in the following table:

Source : Marie-Noël DESIRE-LUCIANI ; Daniel HIRSCH ; Nathalie KACHER ; Marc POLOSSAT, Le grand livre du contrôle de gestion, EYROLLES, 2013, p312.

Traditional system	Strategic system
Focused on financial measurement.	Divided between financial performance, customers, internal processes, and innovation.
Primarily focused on the past.	Balanced focus between past and future.
Based on cost optimization	Focused on performance improvement.
Relative performance in terms of cost, quality, and deadlines are separated.	Cause-and-effect relationships are systematically sought, for simultaneous performance.
Individual learning oriented.	Collective learning oriented.

Traditional system	Strategic system
Focused on financial measurement.	Divided between financial performance, customers, internal processes, and innovation.
Primarily focused on the past.	Balanced focus between past and future.
Based on cost optimization	Focused on performance improvement.
Relative performance in terms of cost, quality, and deadlines are separated.	Cause-and-effect relationships are systematically sought, for simultaneous performance.
Individual learning oriented.	Collective learning oriented.

4. Reporting and budgetary control:

Reporting is a set of results indicators, usually financial, that are constructed periodically after the fact in order to inform management of the performance of an operational unit (cost center or profit center).[1]

Reporting refers to the collection and presentation of results, often in the form of financial indicators, periodically to inform the higher management about the performance of operational

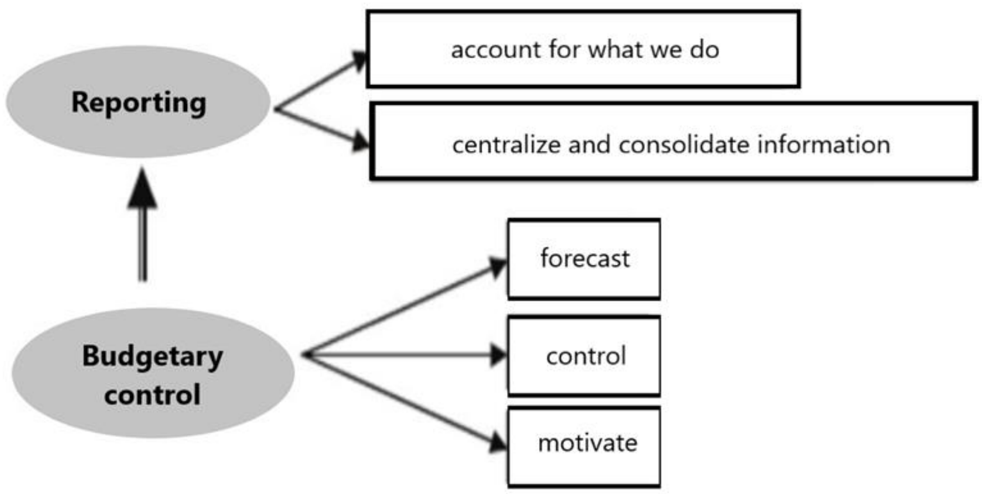
[1] CAPPELLETTI (Laurent); BARON (Philippe); DESMAISON (Gérard); RIBIOLLET (François-Xavier), Toute la fonction contrôle de gestion, DUNOD, 2014, p52.

units (cost centers or profit centers). The structure and content of the reporting may vary depending on the intended audience.

For the company's top management, the reporting information tends to be standardized, focusing on high-level data that impacts the overall strategy of the organization. It provides a summarized view of performance with less operational detail. On the other hand, for operational unit management, the reporting tends to have lower standardization and greater operational detail, focusing on specific operational data relevant to their unit's activities.

Although reporting and the budget control system serve different purposes within an organization, they are closely interconnected and sometimes even confused in certain organizations. The main distinction that can be made lies in the informational stakes expected from reporting or budgetary control.[1] The following diagram represents the objectives pursued by budgetary and reporting systems:

Figure 9:The objectives of the budgeting and reporting system



Source : Benoît PIGE, Reporting et contrôle budgétaire : de la délégation à la responsabilité, 2nd Edition, EMS Edition, 2011, p165.

Reporting is an indispensable tool for budgetary control insofar as it facilitates the upward transmission of information on the achievements of decentralized units.

Throughout the year, usually on a monthly basis, the managers of responsibility centers report to their superiors about the performance of their departments. With the assistance of the

[1] PIGE (Benoît), Reporting et contrôle budgétaire : de la délégation à la responsabilité, 2nd Edition, EMS, 2011, p164.

management control department, an activity report is produced and transmitted to the higher hierarchical level. This report includes:

- The chosen control variables and their corresponding targets.
- The actual results achieved for each controlled variable.
- The analysis of variances that has been conducted.
- The measures taken to realign actions with the targeted objectives.

Financial information provides the top management with a view of activity performance. Therefore, the production of reporting should be rapid, focusing on analysis, and presented in a simple and user-friendly manner to facilitate decision-making and control. These reports highlight key elements for the month's results, serving as alerts and encouraging a better understanding of trends or budget variances. This is advantageous as there is a real risk of information overload for executives, which can hinder decision-making. Additionally, the concise nature of reporting allows autonomy for entity managers, avoiding the risks of excessive control.

The table below provides a comparative analysis between reporting and budgetary control

Table 2:Comparative characteristics of budget control and reporting.

	Budget control	Reporting
Main recipients	Responsibility centers and management.	The hierarchy.
Objective	Explain, a posteriori, variances between budget forecasts and actuals.	In large companies and groups: to support strategic management by periodically monitoring unit performance.
Periodicity	Monthly.	Monthly.
Contents	Variances appear in the dashboard and reporting.	Set of indicators giving priority to financial information on results. May include elements of budget control and a dashboard.
Structure		Guided by a concern for homogeneity in order to aggregate results from different responsibility centers.

Source: Brigitte DORIATH; Christian GOUJET, Gestion prévisionnelle et mesure de la performance, 5th Edition, Edition DUNOD, 2011, p300.

CONCLUSION

Through this chapter, we have seen the importance of budgets in the bank. It is a process that sets the pace for the company throughout the year and involves a number of players: general management, management control and the various responsibility center managers. It also allowed us to discover the budgetary control process which can be done periodically and/or permanently. The relevance of the control is ensured thanks to the principle of control by exception, which limits the analysis of the variances observed to those deemed significant, which then provides the managers with only usable and significant information to lead to the implementation of corrective actions relating to the variances in question. Lastly, we discovered the various tools for measuring performance, namely: the measurement of profitability, which is done according to two approaches: the intermediate management balance approach and the ratio approach, the importance of the management charts and reporting and their contribution to budgetary control. We were also able to differentiate between these two complementary tools: the first being a permanent management tool and the second being a control tool, mainly financial.

CHAPTER 03: ANALYSIS AND EVALUATION OF ALSALAM BANK'S BUDGET SYSTEM

INTRODUCTION

The previous sections have introduced the concept of budgetary control and the relationship between budgeting and performance. However, theoretical analysis alone is not sufficient without practical application. Therefore, in order to demonstrate the impact and importance of budgetary control in a bank, it is essential to examine a concrete case study.

In this regard, we find it useful to take a closer look at the budgetary system of Alsalam Bank. The purpose of this chapter is to provide an analysis that can evaluate the effectiveness of the bank's budgetary control.

To achieve this goal, we will begin by providing a general overview of Alsalam Bank and its Management Planning and Control Department, where the Budgetary Planning and Control Subdivision is responsible for budgetary formulation and monitoring. Then, we will move on to a description of the budgetary system procedures within the bank. Finally, we will conduct an analysis of the budgetary system of the bank to identify any shortcomings and propose recommendations for improvement, if applicable.

It is worth noting that budgetary control is crucial for any bank, especially in today's rapidly changing and increasingly competitive market. Effective budgetary control can help the bank achieve its strategic goals, increase profitability, and mitigate financial risks. Therefore, the analysis of the budgetary system of Alsalam Bank is of significant importance, and the results of this study can provide insights into how the bank can improve its budgetary control mechanisms to achieve its objectives more efficiently.

SECTION 01: General presentation of Alsalam Bank

1. Presentation of Alsalam Bank:

Alsalam Bank Algeria is a commercial bank under Algerian law and with foreign private capital. It was established in June 2006 by a group of Arab investors. Its shareholders include several well-known banking and financial institutions such as Alsalam Bank Bahrain, AMAN Insurance Company and EMAAR Real Estate Company.

AL SALAM BANK ALGERIA is a bank operating under Algerian law and in compliance with Sharia principles in all its transactions. It was licensed by the Bank of Algeria in September 2008. Al Salam Bank Algeria works according to a clear strategy in line with the requirements of economic development in all vital sectors in Algeria, offering products certified by the Sharia committee made up of eminent ULEMAS (specialists) in Sharia law and economics.

Al Salam Bank -Algeria- currently has a network of 23 branches throughout the country, with more to be opened in the near future. This is in line with the bank's vision and strategy, which aims to expand its network by offering banking services and products of the highest quality to a broad public.

Al Salam bank is the second Islamic bank in Algeria after the bank Al Baraka, which offers its Islamic services on the Algerian market. After Al Baraka Bank, Gulf Bank, ABC Bank, Al Salam Bank is the fourth major golf bank to be established in Algeria, in a market where French banks are the dominant.

2. The bank's activities:

Banque Al Salam can divide its business into two categories:

- The first category as a financial intermediary, providing means of payment and collecting public funds.
- The second category as a financial partner, for Musharaka and Mudaraba operations.

3. Bank organization:

The bank is organized on many levels:

- The General Meeting of Shareholders: this is the bank's highest governing body, and takes decisions that affect the bank's existence and the continuity of its business, such as increasing share capital, choosing members of the Board of Directors and setting their remuneration. The Annual General Meeting meets once a year to examine and approve the bank's business report and financial statements.

- The Board of Directors: is made up of directors elected from among the shareholders or their representatives when they are legal entities. The Board meets periodically to review the bank's performance and take strategic decisions. It also carries out its mission through two committees: the Financing Committee and the Audit Committee.
- The Sharia Committee: this committee exists because of the bank's specialization in Islamic finance. This committee guides, controls and supervises the bank's activities in terms of compliance with Islamic sharia law.
- General Management: this is the executive body, comprising a General Manager and two Deputy General Managers, to whom a number of central departments report.
- Central departments: General Management carries out its mission through a set of central departments covering all commercial and banking production activities (sales, financing, foreign trade, treasury, etc.), as well as control activities such as permanent control, audit and risk management. There are also a number of departments responsible for support functions such as logistics, human resources, IT services, accounting and management control.
- The branch network: this is the main point of contact with the bank's customers and the distribution channel for the bank's products and services. It currently comprises 23 branches, spread across the country and supervised by a central department known as the Network Support Department.

4. <u>Presentation of the management control and reporting department:</u>

The Management Control department is a central department reporting to the Deputy General Manager in charge of support.

This department is responsible for setting the bank's budget and monitoring its implementation, in line with the strategic objectives defined by General Management; it is also responsible for implementing management control tools to measure and steer the bank's performance. It is also responsible for preparing regulatory reports for the Bank of Algeria.

1.1. Missions of the management control:

The Management control department is responsible for the following tasks:

- Ensure the production and administration of the information required for financial communication;
- Preparing the Bank's financial statements and regulatory reporting in accordance with the regulations issued by the Bank of Algeria;
- Handle requests for accounting and financial information from the Bank of Algeria, within the required deadlines.
- Design and implement the Bank's budgetary and management control policies, in accordance with the guidelines laid down by General Management;
- Gather budget guidelines from General Management and communicate them to the relevant structures for the preparation of their forecasts;
- Guide and assist the Bank's structures in drawing up their budget forecasts;
- Control budget forecasts from the Bank's structures and draw up the Bank's budget;
- Notify the budget to the structures concerned after its approval by the Board of Directors;
- Monitor implementation of the Bank's budget, analyze variances between achievements and objectives in collaboration with the relevant structures, and propose corrective action;
- Develop and improve control tools to measure and monitor the performance of the Bank to steer its activities;
- Ensure the production of periodic management reports
- Maintain and update, in liaison with Organization Service, the organic texts relating to the activity of the Unit;
- Provide the necessary support to the various Bank structures.

1.2. Organization of the management control and reporting department:

The Control and Reporting Management Cell is organized into two (02) Services:

1.2.1. Budget and Management Control Service:

The Chief of the Budget and Management Control Service is responsible for:

- Planning, organizing, and coordinating the activities of the service to achieve the objectives set by the Cell's manager.
- Assisting the bank's departments in the development of their budget forecasts.
- Ensuring the coherence of budget forecasts from different bank departments.
- Developing the bank's budget proposal and submitting it to the Cell's manager.
- Ensuring compliance with budgetary procedures and timelines.

- Monitoring budgetary achievements and analyzing variances between actual results and budgeted objectives.
- Producing management reports and management control tools, optimizing timeliness and quality of information.
- Periodically reporting the activities of the service to the Control and Reporting Management Cell's manager.

1.2.2. Regulatory Reporting Service:

The Chief of the Regulatory Reporting Service is responsible for:

- Planning, organizing, and coordinating the activities of the service to achieve the objectives set by the Cell's manager.
- Ensuring the reliability of data used for regulatory reporting.
- Controlling and submitting regulatory reports to the Cell's manager for validation and signature.
- Monitoring changes in regulations related to reporting by the Bank of Algeria.
- Proposing improvements to methods and tools related to regulatory reporting.
- Regularly reporting the activities of the service to the Cell's manager.

1.2.3. The Budget and Management Control Service's missions include:

- Creating budget forecasting templates and ensuring consistency and alignment with the bank's strategy.
- Consolidating department forecasts and developing the budget proposal.
- Analyzing budget achievements and explaining significant variances.
- Monitoring expenses and notifying departments when budgets are fully consumed.
- Producing dashboards, reports, and KPI monitoring.
- Implementing management control tools and identifying IT solutions for better control and collaboration.

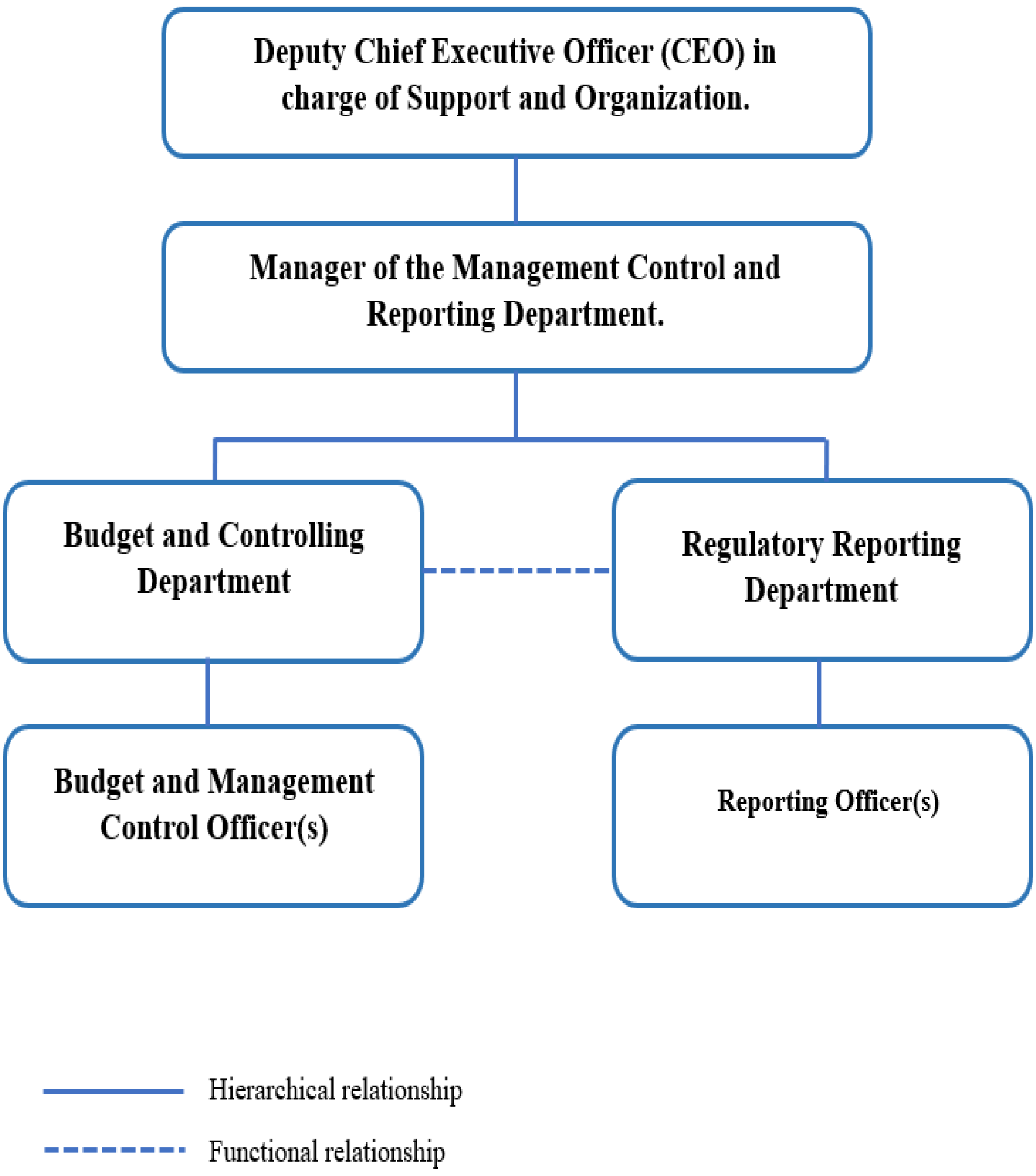
1.2.4. The Regulatory Reporting Service's missions include:

- Collecting and ensuring the coherence of accounting and non-accounting data for regulatory reporting.
- Preparing financial statements and prudential declarations required by the Bank of Algeria.

- Preparing declarations related to financing and delinquencies for the Central Credit Register.
- Ensuring consistency among regulatory reports.
- Improving the quality and timeliness of regulatory reporting.
- Maintaining audit trails and archiving regulatory reports.
- Processing requests for financial information from the Bank of Algeria and internal departments.
- Collaborating with the IT Department for automated reporting.
- Responding to financial information requests from internal departments.

The Chiefs of the Budget and Management Control Service and the Regulatory Reporting Service are assisted by Reporting Officers.

Figure 10:Organization chart of the management control and reporting unit



Source: documents provided by the bank.

SECTION 2: Budget management procedures at ALSALAM bank

1. Bank Budget Development:

The bank's budget development phase consists of four (04) steps:

- Budget guidelines
- Budget project elaboration
- Budget approval
- Budget notification

1.1. Budget guidelines:

Budget guidelines involve communicating the general objectives, assumptions, and parameters used in developing the bank's budget for the upcoming year. This information is contained in a document called the "Budget Orientation Note."

The Budget Orientation Note is prepared by the Control and Reporting Unit based on the directives of the General Management during the budget orientation meeting attended by the heads of relevant central structures. This meeting aims to present and discuss the following elements:

- Bank's achievements during the current year
- Strategic axes and major objectives for the upcoming year
- Bank's action plan to achieve these objectives.

The Budget Orientation Note should cover the following main elements:

- Growth of the bank's net income aligned with the required return on equity.
- Growth of the loan portfolio for corporate and retail segments.
- Interbank loans and borrowings.
- Number of new planned branches and their estimated start date.
- Compliance with the operating ratio.
- Compliance with the financing/deposit ratio.
- New banking products and services to be launched.
- Key marketing activities and their impact.
- Major projects scheduled to start.
- Evolution of the bank's workforce and remuneration policy.
- Evolution of pricing for products and services.

- Budget calendar with deadlines for each step.

The Control and Reporting Unit must ensure the distribution of the Budget Orientation Note to the heads of central structures and branch managers involved in the budget forecasting process.

The Management Control and Reporting Unit must also prepare budget forecast templates and send them to the relevant branches and central units for use in developing their forecasts.

These templates are filled in with:

- Actual figures from the previous year (N-1).
- Actual figures from the current year (N).

The recipient branches and central units must fill in the templates with:

- Forecasts for the current year's closing (N).
- Forecasts for the following year (N+1).

These templates must be transmitted via email to the Management Control and Reporting Unit within the specified timeframe according to the budget calendar.

1.2. Budget Project Development

Based on the received budget guidelines and taking into account the current year's actual figures, the relevant branches and central units develop their forecasts for the current year's closing and the following year.

After the given deadline and upon receiving the budget forecast templates, the Management Control and Reporting Unit must:

- Study and analyze the received forecasts.
- Verify the coherence of the forecasts with the budget objectives and guidelines, as well as the current year's actual figures (N).
- Verify the calculation of revenues (margins and commissions) in accordance with the applicable General Banking Conditions.

If any inconsistencies or inaccuracies are found in the received forecasts, the Management Control and Reporting Unit requests explanations or modifications from the relevant branches and central units if necessary.

The Management Control and Reporting Unit also estimates the following cost elements:

- Provision for general banking risks based on forecasts of outstanding customer receivables.
- Remuneration for savings and investment accounts based on forecasts of margins on direct financing and customer deposits.
- Depreciation of bank assets.
- Expenses for the Board of Directors and the Shari'a Supervisory Committee.
- Fees for Auditors.
- Contribution to the banking deposit guarantee fund (BDGF).
- Participation fees in local professional organizations such as ABFI, GIE monétique , etc.
- Membership fees in international professional organizations such as CIBAFI, IICRA, etc.
- Taxes and duties that the bank must pay for its operations (TPA, registration and publication fees, etc.).

To do this, the Management Control and Reporting Unit collects the necessary information from the Accounting and Financial Control Unit, which manages and pays the aforementioned expenses.

Upon receiving all the budget forecast templates that comply with the budget guidelines, the Management Control and Reporting Unit must:

- Proceed with the initial consolidation of the budget forecasts.
- Prepare a budget project in the form of forecasted financial statements (income statement, balance sheet, off-balance sheet), expressed in Algerian Dinars and US Dollars for the needs of the Bank's Board of Directors.
- Submit the budget project to the Deputy General Manager in charge of Support and Organization to gather their opinion and feedback.
- Transmit the budget project to the Executive Management and the relevant branches and central units for detailed discussion during the budget negotiation meeting.
- Organize and lead the budget negotiation meeting, with the participation of key executives from the relevant branches and central units.

- Collect remarks from the Executive Management during the meeting and make the necessary modifications to the budget project, documenting them in the meeting minutes.
- Notify the concerned branches and central units to modify their forecasts in accordance with the instructions from the Executive Management and send them back to the Management Control and Reporting Unit.

Upon receiving the modified forecasts and based on the minutes of the budget negotiation meeting, the Management Control and Reporting Unit must:

- Proceed with the consolidation of the modified forecasts.
- Prepare the final version of the Bank's budget project.
- Create a summary note that recaps the main parameters considered for budget development and the major budget aggregates.

The finalized budget project and the accompanying summary note are submitted to the Deputy General Manager in charge of Support and Organization for approval and to the General Director for validation.

1.3. Budget Approval:

The final budget project is submitted by the General Directorate to the Bank's Board of Directors for approval.

In case of reservations expressed by the Bank's Board of Directors, the Management Control and Reporting Unit makes the recommended adjustments, which are then reexamined by the Board of Directors (in a seated or rotating session).

After the budget is approved by the Board of Directors, the Secretary of the Board of Directors ensures the transmission of the budget approval minutes to the Manager of the Management Control and Reporting Unit.

1.4. Budget Notification:

Upon receiving the budget approval minutes from the Board of Directors, the Management Control and Reporting Unit must proceed with notifying the budget to the relevant branches and central units of the Bank for execution.

In this regard, the Management Control and Reporting Unit must:

- Develop budget notification templates for each branch and central unit.
- Prepare a budget notification note and submit it to the Deputy General Manager in charge of Support and Organization for agreement, and to the General Director for approval and signature, in order to mark the contractual nature of the budget.
- Ensure the notification of the budget for the year (N+1) to the branches and central units of the Bank before the closure of the current fiscal year (N).

2. Budgetary Monitoring process:

Budgetary monitoring is a crucial aspect of financial management at Alsalam Bank. It involves tracking and evaluating actual financial performance against the budgeted targets. Additionally, it requires identifying and justifying any variances that occur between the budgeted amounts and the actual figures.

The Management Control and Reporting Unit must regularly monitor the Bank's budget to periodically evaluate the achievement of the objectives for the current fiscal year.

Budget monitoring and control are carried out based on accounting and financial data that enable the measurement of budgetary achievements. This data is extracted by the Information Systems Department and transmitted in the form of text files to the Management Control and Reporting Unit, which utilizes Microsoft Excel to analyze them.

The expenses incurred by the Bank's branches and central units must be regularly monitored by the Management Control and Reporting Unit to ensure compliance with the budget allocations and to limit overspending.

2.1. Budget Achievement Monitoring:

The fundamental principle of budget monitoring is the periodic comparison between achievements and set objectives to highlight variances.

A budget variance is the observed difference between the actual amount (real data) and the budgeted amount (forecasted data). It is considered significant when its percentage exceeds ten percent (10%) compared to the planned (budgeted) value.

In this regard, significant variances must be analyzed by the Management Control and Reporting Unit in collaboration with the relevant branches and central units in order to identify their causes and propose corrective measures to be taken.

The budget achievement monitoring is formalized through the production of three (03) management reports:

- The weekly dashboard.
- The monthly budget monitoring report.
- The branch objective achievement monitoring report.

2.1.1. Weekly Budget Monitoring:

This monitoring is formalized through a management dashboard prepared at the beginning of each week and finalized at the end of the previous week. This dashboard, expressed in Algerian Dinars and US Dollars, contains the following key indicators:

- Customer deposit balances by category.
- Financing balances by contract type.
- Volume of off-balance sheet commitments (LC, D/P and issued guarantees).
- Net banking income.
- Total expenses.
- Net income.

For each indicator, the dashboard provides the following elements:

- The realized value as of the reporting date.
- The objective at the end of the current month (the budget).
- The achievement rate compared to the objective at the end of the current month.

2.1.2. Monthly Budget Monitoring:

This monitoring is formalized through a budget monitoring report presented in the form of financial statements (income statement, balance sheet, and off-balance sheet). It is expressed in Algerian Dinars and US Dollars and contains the following key information:

- The achievements of the month compared to the objectives for that month and the achievement rates.
- The achievements of the previous month and the percentage variation compared to the current month.
- The cumulative achievements at the end of the current month compared to the cumulative budget and the achievement rates.

- The cumulative achievements for the same period of the previous year (N-1) and the growth rates.
- Explanations for significant variances, developed in collaboration with the relevant branches and central units.
- The Manager of the Management Control and Reporting Unit is responsible for:
- Reviewing and finalizing the monthly budget monitoring report and submitting it to the Deputy General Manager in charge of Support and Organization for validation.
- Transmitting the monthly budget monitoring report to the General Directorate as well as to the main managers of the branches and central units.

Note: The monthly budget monitoring report for the end of each quarter must be transmitted to the Board of Directors for information.

2.1.3. Branch Objective Achievement Monitoring:

The Management Control and Reporting Unit conducts quarterly monitoring of branch objective achievements.

The objectives assigned to the Bank's branches include:

- Customer deposits collected.
- Direct financing granted to customers.
- Indirect financing (commitments by signature) granted to customers (letters of credit, guarantees, etc.).
- Net banking income generated by the branch.

The achievements of the branches are measured and compared to their objectives to identify significant variances. These variances are communicated by the Manager of the Management Control and Reporting Unit to the respective Branch Managers to obtain an explanation of the causes and propose corrective measures to be taken.

The Manager of the Management Control and Reporting Unit is responsible for:

- Reviewing and finalizing the branch objective achievement monitoring report and submitting it to the Deputy General Manager in charge of Support and Organization for validation.
- Transmitting the branch objective achievement monitoring report to the General Directorate, the main managers of the central units, and the Branch Managers.

2.2. Budget Control of Bank Expenses:

2.2.1. Expense Monitoring:

As part of the budget control of expenses, the Management Control and Reporting Unit is required to conduct monthly monitoring of expenses incurred by the Bank's branches and central units, using a budget control form that includes:

- The amounts spent for each expense or investment item.
- The budget allocated for the current year.
- The utilization rate of the budget.
- The remaining amount to be utilized.
- The Management Control and Reporting Unit must:
- Notify the concerned branches and central units when the budget allocated for a given expense or investment item is fully utilized.
- Inform the Accounting and Financial Control Unit, responsible for payment execution, about the budget control findings.

2.2.2. Management of Budget Overruns:

Operating and/or investment expenses for which the allocated amount in the current year's budget has been fully utilized must obtain a budget overrun authorization from the authorized manager mentioned below.

The request for budget overrun authorization must be submitted by the spending unit using the model provided, which includes:

- The nature of the expense.
- The amount of the expense.
- The budget overrun rate.
- The explanation of the need for the expense.
- The justification for the budget overrun.

The spending unit must submit the request for budget overrun authorization, depending on the magnitude of the overrun.

3. Special provisions: Budget revision

The bank's budget may undergo a revision during the fiscal year. The revision involves modifying the budget forecasts for one or more budget items of the bank. It can occur in the following cases:

- When exceptional circumstances or events, internal or external to the bank, render the initial forecasts unattainable.
- When the bank's actual performance during the fiscal year significantly exceeds the initial forecasts for key budget items.

The decision to proceed with a budget revision is made by the bank's management.

The budget revision must follow the same steps outlined in the Budget preparation of the bank.

4. Budget preparation schedule for 2022:

The following schedule is followed for the preparation of the estimate budget for 2022:

Table 3: Budget preparation schedule for 2022

Dates	Activities
15-31 October 2021	Evaluate the bank's performance in 2021 and prepare the goals and guidelines for 2022
01-10 November 2021	Preparation of estimates (sub-budgets) and transmission to the Management Control Cell
11-25 November 2021	Compilation of sub-budgets and preparation of draft estimate budget
28-30 November 2021	Discussion and adoption of the draft estimate budget by the Public Administration
01-15 December 2021	Approval of the discretionary budget by the Board of Directors
16-31 December 2021	Report the estimated budget to central branches and departments

Source: Budget Orientation Note 2022 provided by the Control and Reporting Unit.

5. Evaluation of budgetary control within alsalam bank:

Our analysis will focus on Alsalam's performance in 2022. We will first look at the commercial activity (forecasts and achievements), namely:

- Customer deposits.
- Direct financing outstanding and retail financing
- Letter of credit (LC), documents against payment (D/P) and guarantees.

We will then present the operating budget and finally conclude our analysis by monitoring profitability through the ratios approach.

5.1. customers deposits:

5.1.1. Forecasts:

Table 4: customer deposits forecasts 2022. **U: MDA**

Customer Deposits	*31/12/2021*	*open 2022*	*clos 2022*	*Evolution*
Current accounts	50,088	48,737	62,285	**24%**
Savings bonds	49,672	52,336	69,250	**39%**
Savings accounts	32,010	32,969	46,505	**45%**
Provisions held as collateral	63,261	67,814	79,066	**25%**
Total	**195,031**	**201,856**	**257,106**	**32%**

Source: Documents provided by the Control and Reporting Unit.

Customer deposit balance of 257 million DZD at the end of 2022, 32% higher than the balance at the end of 2021, with deposits growing in varying proportions, with the emphasis on increasing the volume of savings deposits by 45%;

5.1.2. Achievements and deviations:

Table 5: Customer deposits' Achievements and deviations 2022 **U: MDZD**

Customer deposits	2021	Achievements 2022	Targets 2022	RA/target*	Evolution
Current accounts	50,088	68,169	62,285	**109%**	**36%**
Savings bonds	49,672	66,676	69,250	**96%**	**34%**
Savings accounts	32,010	42,053	46,505	**90%**	**31%**
Provisions held as collateral	63,261	38,178	79,066	**48%**	**-40%**
Total	**195,031**	**215,076**	**257,106**	**84%**	**10%**

Source: Documents provided by the Control and Reporting Unit.

***RA/target:** Rate of Achievement compared to Target.

Overall, the total customer deposits increased from 195,031Million DZD in 2021 to 215,076 in 2022, indicating a 10% growth.

Current accounts experienced significant growth, exceeding their 2022 target by 9% and increasing by 36% compared to 2021. Savings bonds also saw a notable increase of 34% but fell slightly short of the 2022 target by 4%.

On the other hand, savings accounts reached 90% of their target and increased by 31% compared to 2021. Provisions held as collateral, however, saw a significant decline, reaching only 48% of their 2022 target and experiencing a 40% decrease in customer deposits.

5.2. Direct financing outstanding:

5.2.1. Forecasts:

Table 6: Direct financing forecasts 2022.

U: M DZD

	31/12/2021	*Open 2022*	*Clos 2022*	*Evolution*
Direct financing outstanding	**140,293**	**142,750**	**195,648**	
Bai adjer et mourabaha	31,133	33,813	47,135	**51%**
Ijara	13,040	13,517	18,491	**42%**
Salam	79,484	77,769	106,520	**34%**
Istisnaa	9,756	10,110	14,002	**44%**
Moudharaba & Moucharaka	6,623	7,492	9,450	**43%**
Current accounts receivable	257	49	50	**-81%**
Retail financing	**14,451**	**14,286**	**13,861**	
Consumer finance	8,975	8,743	6,570	**-27%**
Real Estate finance	5,476	5,543	7,291	**33%**
Total direct financing	**154,744**	**157,036**	**209,509**	**35%**

Source: Documents provided by the Control and Reporting Unit.

The data shows that most categories of direct financing experienced an increase in outstanding financing from the opening to the closing of 2022, ranging from 33% to 51% growth. Notably, current accounts receivable had a significant decrease of 81% in outstanding financing during the same period.

The total outstanding direct financing increased by 35% from the opening to the closing of 2022, driven by positive performance in most categories, except for consumer finance, which saw a decline, and current accounts receivable, which experienced a substantial decrease.

5.2.2. Achievements and deviations:

Table 7: Direct financing achievements and deviations 2022. **U: M DZD**

	2021	Achievements 2022	Targets 2022	RA/target	Evolution
Direct financing outstanding	**140,293**	**164,051**	**195,648**	**84%**	**17%**
Bai adjer et mourabaha	31,133	28,317	47,135	**60%**	**-9%**
Ijara	13,040	14,279	18,491	**77%**	**9%**
Salam	79,484	99,787	106,520	**94%**	**26%**
Istisnaa	9,756	13,016	14,002	**93%**	**33%**
Moudharaba & Moucharaka	6,623	8,295	9,450	**88%**	**25%**
Current accounts receivable	257	357	50	**713%**	**39%**
Retail financing	**14,451**	**12,366**	**13,861**	**89%**	**-14%**
Consumer finance	8,975	5,854	6,570	**89%**	**-35%**
Real Estate finance	5,476	6,512	7,291	**89%**	**19%**
Total direct financing	**154,744**	**176,417**	**209,509**	**84%**	**14%**

Source: Documents provided by the Control and Reporting Unit.

Most categories of direct financing achieved a significant portion of their targets, ranging from 60% to 94% accomplishment. Notably, current accounts receivable significantly exceeded the target by 713%, indicating a substantial increase in outstanding financing. However, some categories such as Bai adjer et mourabaha, retail financing, and consumer finance experienced deviations below their respective targets, with decreases ranging from -9% to -35%.

5.3. Letter of credit (LC), documents against payment (D/P) and guarantees:

5.3.1. Forecasts:

Table 8:Letter of credit (LC), documents against payment (D/P) and guarantees forecasts 2022

U: K DZD

	Total 2021	opening	Closing	Total 2022	Evol 21-22
Letter of Credit					
LC volume	85,980	7,835	9,860	103,395	**20%**
LC commissions	337,885	31,658	40,120	419,320	**24%**
Documents against Payment					
Volume D/P	229,954	19,910	26,055	274,930	**20%**
Commissions D/P	266,948	22,927	29,988	316,526	**19%**
Guarantees					
Volume Guarantees	5,137	567	869	8,400	**64%**
Commissions on Guarantees	159,255	15,600	22,450	220,170	**38%**

Source: Documents provided by the Control and Reporting Unit.

Overall, the analysis shows positive growth and increased activity in all three categories of transactions. Both the total volume and commissions for LC and D/P transactions increased by 20% from 2021 to 2022. The volume of Guarantees showed significant growth of 64%, and commissions earned from Guarantees increased by 38% during the same period.

These trends indicate a favorable expansion in the bank's operations related to LC, D/P, and Guarantees, which contributed to increased transaction volumes and commissions earned.

5.3.2. Achievements and deviations:

Table 9:Letter of credit (LC), documents against payment (D/P) and guarantees achievements and deviations 2022.

U: K DZD

	2021	Achievements 2022	Targets 2022	RA/target	Evolution
Letter of Credit					
LC volume	85,980	99,585	103,395	**96%**	**16%**
LC commissions	337,885	398,393	419,320	**95%**	**18%**
Documents against Payement					
Volume D/P	229,954	299,013	274,930	**109%**	**30%**
Commissions D/P	266,948	341,782	316,526	**108%**	**28%**
Guarantees					
Volume Guarantees	5,137	10,401	8,400	**124%**	**102%**
Commissions on Guarantees	159,255	353,746	220,170	**161%**	**122%**

Source: Documents provided by the Control and Reporting Unit.

The analysis reveals strong achievements in all categories. LC volume achieved 96% of the target, and LC commissions reached 95% of the target. D/P transactions surpassed both the volume and commissions targets, with achievements exceeding 100% and an evolution of 30% for volume and 28% for commissions. Guarantees showed exceptional performance, exceeding both volume and commissions targets significantly, with achievements of 124% and 161%, respectively, and substantial evolutions of 102% and 122%.

These results indicate that the bank experienced significant growth and success in these areas of its business. The increase in transaction volumes and commissions demonstrates a strong demand for LC, D/P, and Guarantees services. The bank's performance exceeded the set targets, indicating effective management and successful execution of its operations in these financial services.

5.4. Personnel and Operating expenses:

5.4.1. Forecasts:

5.4.1.1. Personnel expenses:

Table 10: Personnel expenses forecasts 2022

U: K DZD

Personnel Expenses	*2021*	*2022*	*Variation 2021/2022*	*Evolution*
Salaries	1,242,168	1,675,610	433,442	**35%**
Training Costs	17,361	30,000	12,639	**73%**
Bonus	381,000	492,000	111,000	**29%**
Social Welfare Contribution	88,506	108,241	19,735	**22%**
Total	**1,729,035**	**2,305,851**	**576,816**	**33%**

Source: Documents provided by the Control and Reporting Unit.

The forecasts indicate an overall increase in personnel expenses from 2021 to 2022. Salaries are projected to rise by 35%, reflecting potential raises or increased staffing. Training costs are expected to significantly increase by 73%, suggesting a focus on employee development and skills enhancement. Bonuses are anticipated to grow by 29%, possibly due to improved financial performance or incentive programs. Social welfare contributions are projected to increase by 22%, which could be attributed to changes in social security regulations or employee benefit programs. Consequently, the total personnel expenses are forecasted to increase by 33% in 2022. These projections suggest that the company is planning for expanded operations, investments in employee training, and increased employee compensation and benefits.

5.4.1.2. Operating expenses:

Table 11:Operating expenses forecasts 2022. **U: KDA**

Operating Expenses	2021	2022	Variation	Evolution
Expenses	433,180	523,753	90,573	**21%**
Taxes and duties	244,915	301,534	56,619	**23%**
Transport, Missions, Accommodation	46,157	56,140	9,983	**22%**
IT, Telecom,...	246,011	351,464	105,453	**43%**
Marketing and Communication expenses	37,656	60,000	22,344	**59%**
Rent	144,447	161,658	17,211	**12%**
Maintenance, Insurance	69,284	80,979	11,695	**17%**
Fees	165,218	171,334	6,116	**4%**
Membership Fees	78,863	99,572	20,709	**26%**
Other Expenses	51,461	52,988	1,527	**3%**
Total	**1,084,012**	**1,335,669**	**251,657**	**23%**

Source: Documents provided by the Control and Reporting Unit.

The forecasts indicate an increase in operating expenses for 2022 compared to 2021. The highest increases are observed in IT, telecom, and related expenses with a significant growth of 43%, followed by marketing and communication expenses with a substantial increase of 59%. Taxes and duties, transport, missions, and accommodation expenses, as well as membership fees, also show significant growth rates ranging from 22% to 26%. On the other hand, fees and other expenses have relatively small increases of 4% and 3%, respectively.

It is important for the company to carefully manage and monitor these expense categories to ensure that the increases are justified and aligned with the company's objectives and financial capabilities

5.4.2. Achievements and deviations:

5.4.2.1. Personnel expenses:

Table 12:Personnel expenses achievements and deviations 2022. **U: KDA**

Personnel Expenses	*2021*	*achievements 2022*	*targets2022*	*RA/target*	*Evolution*
Salaries	1,242,168	1,525,853	1,675,610	**91%**	**23%**
Training Costs	17,361	29,391	30,000	**98%**	**69%**
Bonus	381,000	397,503	492,000	**81%**	**4%**
Social Welfare Contribution	88,506	118,573	108,241	**110%**	**34%**
Total	**1,729,035**	**2,071,320**	**2,305,851**	**90%**	**20%**

Source: Documents provided by the Control and Reporting Unit.

The achievements in personnel expenses for 2022 indicate that the company has achieved significant growth in salaries, training costs, and social welfare contributions. However, bonuses have only experienced a marginal increase. The total personnel expenses have increased by 20% compared to 2021.

5.4.2.2. Operating expenses:

Table 13: Operating expenses achievements and deviations 2022. **U: KDA**

Operating Expenses	*Total 2021*	*Achievements 2022*	*Target 2022*	*RA/target*	*Evolution*
Expenses	433,180	476,465	523,753	***91%***	***10%***
Taxes and duties	244,915	225,219	301,534	***75%***	***-8%***
Transport, Missions, Accommodation	46,157	50,004	56,140	***89%***	***8%***
IT, Telecom,...	246,011	289,410	351,464	***82%***	***18%***
Marketing and Communication expenses	37,656	58,448	60,000	***97%***	***55%***
Rent	144,447	150,461	161,658	***93%***	***4%***
Maintenance, Insurance,	69,284	79,405	80,979	***98%***	***15%***
Fees	165,218	132,874	171,334	***78%***	***-20%***
Membership Fees	78,863	105,851	99,572	***106%***	***34%***
Other Expenses	51,461	75,997	52,988	***143%***	***48%***
Total	**1,084,012**	**1,167,669**	**1,446,579**	***81%***	***8%***

Source: Documents provided by the Control and Reporting Unit.

The bank demonstrated moderate control over its operating expenses, achieving 81% of the set target. However, there are areas such as taxes and duties, fees, and IT expenses where the achievements deviated significantly from the targets.

5.5. Credit Risk:

- **Forecast provisions for classified receivables and commitments:**

Table 14: provisions for classified receivables and commitments forecasts2022. **U: KDA**

	31/12/ 2021	May 2022	June 2022	Sept 2022	Dec 2022	2022
Classified receivables and commitments	3,134,682	3,132,686	3,132,686	3,132,686	3,132,686	
Provisions	2,527,327	496,431	513,029	513,029	513,029	
Allocations to the provisions						**26,329**
Reversals/provisions						**1,984**

Source: Documents provided by the Control and Reporting Unit.

It appears that the amounts for classified receivables and commitments and provisions remain relatively stable throughout the specified time periods, with a minor change in provision allocations and reversals.

5.6. Income statement:

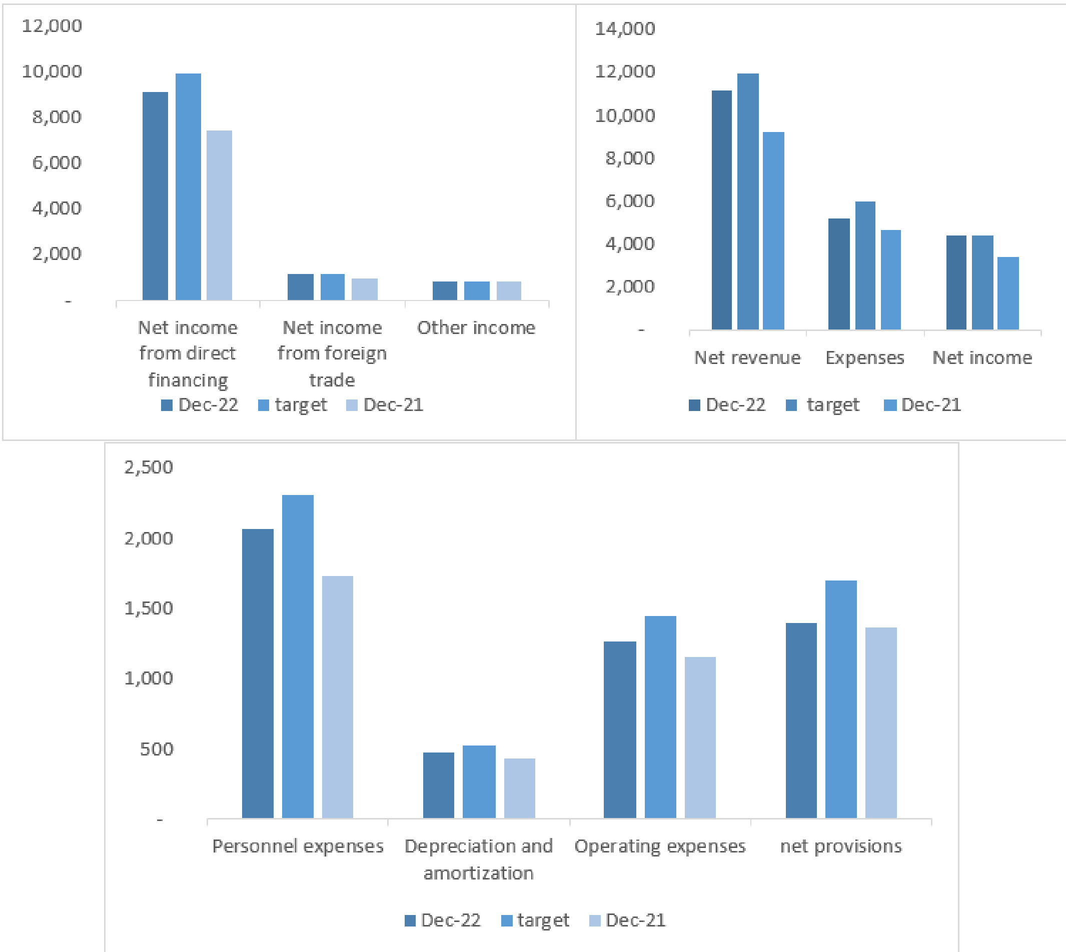
Table 15:Income statement forecasts and achievements and deviations 2022 **U: MDA**

	31/12/2021	Target 2022	Achievement 2022	RA/ target	Evolution 21-22
Revenues					
Net income from customer financing	7,734	10,298	9,587	**93%**	**%24**
income from Net deposits at banks	20	63	45	**71%**	**%118**
Net income from foreign trade operations	969	1,137	1,129	**99%**	**%16**
Other revenues	543	435	374	**86%**	**%31-**
Net revenues	9,267	11,934	11,136	**93%**	**%20**

Expenses					
Total employee expenses	1,729	2,305	2,071	**90%**	**%20**
Depreciation	433	523	476	**91%**	**%10**
Other operating expenses	1,158	1,446	1,263	**87%**	**%9**
Total Provisions	1,365	1,705	1,400	**82%**	**%3**
Total Expenses	4,686	5,981	5,211	**87%**	**%11**
Profit before tax	4,581	5,953	5,925	**100%**	**%29**
Profit tax	1,192	1,547	1,532	**99%**	**%29**
Net income	**3,389**	**4,405**	**4,392**	**100%**	**%30**

Source: Documents provided by the Control and Reporting Unit.

Figure 11:Income and Expense Report



Source: based on the results from the income statement

The income statement reflects a generally positive financial performance for the bank, with revenues reaching around 93% of targets and expenses being managed effectively. The bank achieved its profit targets, Profit before tax has achieved 100% of the target, indicating a strong financial performance in generating profit.

Profit tax has also achieved 99% of the target, aligning with the profit before tax. This indicates efficient tax management.

Net income has achieved 100% of the target, demonstrating a successful conversion of revenue into profit demonstrating solid profitability. However, areas such as net income from deposits and other revenues fell slightly short of expectations, indicating potential opportunities for improvement.

5.7. The balance sheet:

Table 16: the balance sheet forecasts, achievements and deviations 2022.

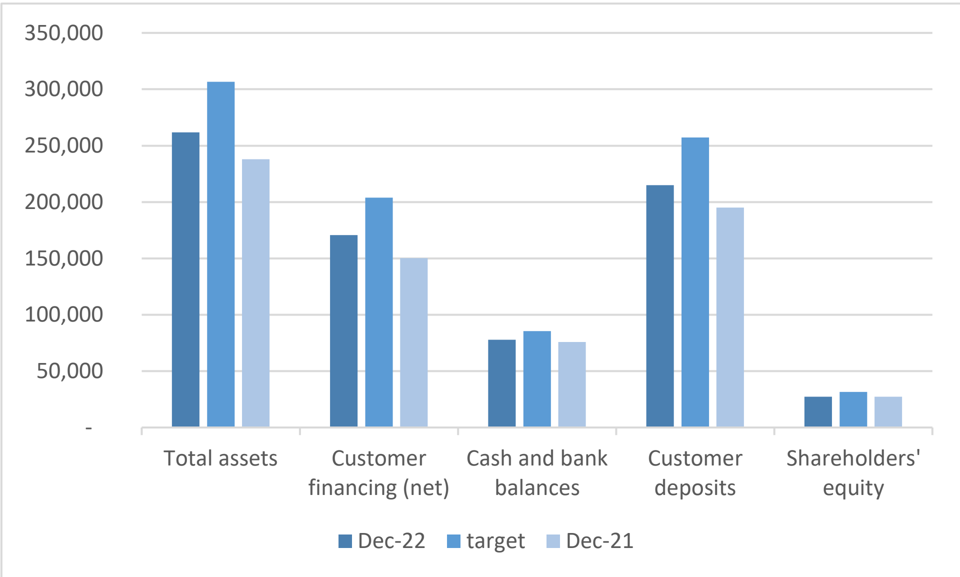
U: M DZD

k	31/12/21	Targets 2022	2022/ 2021	Achievement	RA/ target	Evolution
Assets						
Cash and balances with banks and financial institutions	75,916	85,456	13%	77,706	**91%**	**2%**
Term deposits and funds for banks and financial institutions	633	1,858	194%	843	**45%**	**33%**
Corporate financing	140,293	195,648	39%	164,051	**84%**	**17%**
Retail financing	14,451	13,861	-4%	12,366	**89%**	**-14%**
Total customer financing (net)	150,267	203,923	36%	170,759	**84%**	**14%**
Fixed assets	7,010	7,966	14%	7,146	**90%**	**2%**
Other assets	3,979	7,394	86%	5,239	**71%**	**32%**
Total assets	**237,804**	**306,598**	**29%**	**261,693**	**85%**	**10%**
Liabilities						
Total customer deposits	195,031	257,106	32%	215,076	**84%**	**10%**
Funds to cover public banking risks	1,987	2,526	27%	2,137	**85%**	**8%**

Other liabilities and settlement accounts	13,523	15,296	13%	17,168	**112%**	**27%**
Total liabilities	**210,541**	**274,929**	**31%**	**234,381**	**85%**	**11%**
Equity						
Capital	20,000	20,000	0%	20,000	**100%**	**0%**
Reserves	3,874	7,263	87%	2,920	**40%**	**-25%**
Net income	**3,389**	**4,405**	**30%**	**4,392**	**100%**	**30%**
Retained earnings	-	-	-	-		
Total Equity	**27,263**	**31,669**	**16%**	**27,312**	**86%**	**0%**
Total liabilities and equity	**237,804**	**306,598**	**29%**	**261,693**	**85%**	**10%**

Source: Documents provided by the Control and Reporting Unit.

Figure 12: assets and liabilities report



Source: based on the results from the balance sheet.

Based on the provided balance sheet and income statement data, the balance sheet shows a healthy growth in assets, The bank's total assets grew by 29% from 2021 to 2022, reaching 306,598 million DZD. This growth was primarily driven by increased customer financing and investments in fixed assets, which saw respective growth rates of 36% and 14%.

Total liabilities increased by 31% during the same period, amounting to 274,929 million DZD. This growth was mainly attributed to a 32% increase in customer deposits.

The bank's equity increased by 16% and amounted to 31,669 million DZD. The growth in equity can be attributed to the bank's net income, which increased by 30% from the previous year.

The bank maintained a stable capital position with no change in capital at 20,000 million DZD.

Reserves experienced significant growth of 87%, reflecting the bank's focus on building financial strength and retaining earnings.

6. Structure and profitability ratios:

From the forecasts of the previous budgets (Income statement and the balance sheet) we've calculated the forecasted structure and profitability ratios as follows and compared it to the previous year 2020 and 2021.

Table 17: forecasted ratios for 2022.

	2020	2021	Forecasted 2022	2022
Net Financing/Deposits:	77%	77%	**79%**	**79%**
Operating Efficiency Ratio:	35%	36%	**36%**	**34%**
ROE	21%	15%	**15%**	**16%**
ROA	3.1%	1.7%	**1.6%**	**2%**

Source: Documents provided by the Control and Reporting Unit.

- **Net Financing/Deposits:** The ratio of Net Financing to Deposits shows the extent to which the company relies on customer deposits to fund its financing activities. The increase from 77% in 2020 to 79% in 2022 indicates a slightly higher dependence on customer deposits for financing operations.
- **Operating Efficiency Ratio:** The ratio remained stable at 36% in both 2021 and the forecasted 2022, but saw a slight decline to 34% in the actual 2022. This suggests a potential decrease in operational efficiency in converting resources into revenue.
- **Return on Equity (ROE):** After a decline from 21% in 2020 to 15% in 2021, the ROE improved to 16% in 2022. While it is still lower than the initial level, this indicates a modest recovery in generating returns for shareholders relative to their investment.
- **Return on Assets (ROA):** Following a decrease from 3.1% in 2020 to 1.7% in 2021, the ROA showed improvement to 2% in 2022. This suggests a better utilization of the company's assets to generate profit.

SECTION 3: Diagnostic and Evaluation of the Budgetary System of AlSALAM

1. Strengths and Weaknesses of the Budgetary System of AlSALAM:

Budgetary control contributes to the performance of the bank by comparing forecasts with actual results. The analysis we have conducted shows that the monitoring and control system implemented by Alsalam has both strengths and weaknesses. These weaknesses have significant implications for achieving the expected results by the management.

Budgetary management has enabled the bank to establish better planning and coordination of activities, as well as a reasonably good tracking of expenses and revenues. It has also contributed to strengthening professional relationships among different responsibility centers.

Through this practical case, we have gained a general understanding of Alsalam and its budgetary system, which has allowed us to observe that the budgeting process used meets the standards. However, there is room for certain improvements to enable effective and situationally-appropriate decision-making. We have successfully identified the strengths and weaknesses of budgetary control within Alsalam, and based on these observations, we will propose some recommendations that the bank could implement to address them.

1.1. Strengths of the Budgetary System of Alsalam:

The strengths of the budgetary system that we have been able to identify are presented below:

- Comprehensive process: Alsalam bank's procedure provides a comprehensive framework for budget development and budgetary monitoring, covering various aspects such as guidelines, project development, approval, and notification.
- Strategic alignment: The budget development process is aligned with the bank's strategic plan, ensuring that the budget forecasts are consistent with the bank's long-term objectives and action plans.
- Clear guidelines and templates: The procedure provides clear guidelines and templates for budget development, which help standardize the process and ensure consistency in forecasting across different branches and central units.
- Monitoring and control mechanisms: The procedure establishes a robust budgetary monitoring process, including weekly dashboards, monthly budget monitoring reports, and branch objective achievement monitoring. These mechanisms enable timely tracking of actual financial performance against budgeted targets and facilitate corrective actions if significant variances occur.

- They use operational Dashboards: Dashboards provide real-time or near-real-time visual representations of key performance metrics. They enable quick identification of variances and performance trends, allowing managers to take timely corrective actions.
- Variance Analysis: Variance analysis compares actual performance against budgeted or expected performance. It helps identify the reasons behind the variances and enables managers to investigate and address any deviations from the planned objectives.

1.2. weaknesses of the Budgetary System of Alsalam:

Now that we have cited the strengths of the budgetary system, we also note the weaknesses due to the shortcomings listed:

- **Absence of a budget management software**: The budgeting process is performed using Excel spreadsheets, leading to manual data entry and analysis. This manual process is time-consuming, exhausting for the controllers, and increases the likelihood of errors and inaccurate analysis.
- **Lack of a specific Integrated Management Software (IMS) for AL SALAM Bank:** The absence of a dedicated IMS makes it difficult to access information in a timely manner. When accessible, the information may be outdated and lose its relevance. This gap also raises concerns about the security of information within the bank.
- **Lack of flexibility:** The procedure does not mention any provisions for flexibility or adjustments during the budgeting process. Business environments are dynamic, and unforeseen circumstances may require modifications to the budget. It would be beneficial to incorporate a mechanism for revisiting and adjusting the budget as needed.
- **Inadequate communication and coordination:** Effective budget preparation and monitoring require close collaboration between different departments and stakeholders within the bank. If there is a lack of communication and coordination between these parties, it can result in misalignment of goals, conflicting priorities, and difficulties in consolidating budget information.
- **Lack of accurate and timely data:** The budgeting process heavily relies on the availability of accurate and up-to-date financial and operational data. If the management control unit lacks access to reliable data, it can result in inaccurate budgeting and monitoring. Insufficient data can lead to errors, unrealistic projections, and ineffective decision-making.

- **Ineffective budgeting techniques and tools:** The use of outdated or ineffective budgeting techniques and tools can hinder the budgeting process. If the bank relies on manual spreadsheets or legacy systems that lack advanced budgeting functionalities, it can result in inefficiencies, errors, and limited flexibility in adapting to changing circumstances.
- **Traditional and outdated dashboard:** The bank relies on an outdated and underdeveloped dashboard, which limits its ability to access advanced functionalities and hinders effective decision-making.

2. Recommendations:

Based on the identified challenges, here are some recommendations to address them:

- Implement a cloud-based budgeting software ERP like "Adaptive Insights" or "Oracle Planning and Budgeting Cloud Service" that automates data entry, consolidation, and analysis. This software should provide features such as data integration, real-time reporting, and forecasting capabilities.
- Adopt modern budgeting techniques like zero-based budgeting or activity-based budgeting or rolling budget. These techniques focus on evaluating and justifying all expenses from a fresh perspective or based on specific activities, resulting in more accurate and efficient budget allocation. Implementing these techniques can help the bank optimize resource allocation and improve overall financial performance.
- Adopt new techniques that enhance monitoring of a bank's performance and improve budget control, the Balanced Scorecard can be customized to include relevant metrics and indicators specific to the industry. It helps align strategic objectives with operational activities and provides a comprehensive view of performance across different areas of the bank.

3. Propositions for improvement approaches:

It would be beneficial to suggest ways of improving their dashboard model and start adopting BSC.

3.1. Balanced Scorecard (BSC) Implementation:

The balanced scorecard is a new tool that complements traditional measures of business unit performance. The scorecard contains a diverse set of performance measures, including financial performance, customer relations, internal business processes, and learning and growth. Advocates of the balanced scorecard suggest that each unit in the organization should develop and use its own scorecard, choosing measures that capture the unit's business strategy. Our study examines judgmental effects of the balanced scorecard—specifically, how balanced scorecards that include some measures common to multiple units and other measures that are unique to a particular unit affect superiors' evaluations of that unit's performance. Our test shows that only the common measures affect the superiors' evaluations. We discuss the implications of this result for research and practice.[1]

Balanced Scorecard (BSC) implementation is a strategic management framework that helps organizations align their activities with their strategic objectives and measure performance across multiple perspectives.

- Define the Strategic Objectives: Start by identifying the bank's strategic objectives. These objectives should be derived from the bank's mission and vision statements and reflect its long-term goals. Ensure that the objectives cover all relevant aspects, such as financial performance, customer satisfaction, internal processes, and learning and growth.
- Identify Key Performance Indicators (KPIs): Once the strategic objectives are defined, select KPIs that will measure progress toward achieving those objectives. Each perspective of the Balanced Scorecard should have a set of KPIs associated with it. For example, financial perspective KPIs can include metrics like return on assets (ROA) or net interest margin (NIM), while customer perspective KPIs can include metrics like customer satisfaction or market share.

To compose an accurate picture of strategy execution it must be painted in the full palette of perspectives that comprise it. Therefore, when developing a Balanced Scorecard, we use the following four:

- Financial.
- Customer.
- Internal processes.
- Learning and growth.

Developing a Balanced Scorecard (BSC) model for a bank involves identifying the key perspectives, determining relevant objectives and measures, setting targets, and establishing

[1] Marlys Gascho Lipe, Steven E. Salterio, The Balanced Scorecard: Judgmental Effects of Common and Unique Performance Measures, The Accounting Review, 2000, p 283-298.

initiatives to achieve those targets. Here is a step-by-step guide to creating a BSC model for a bank:

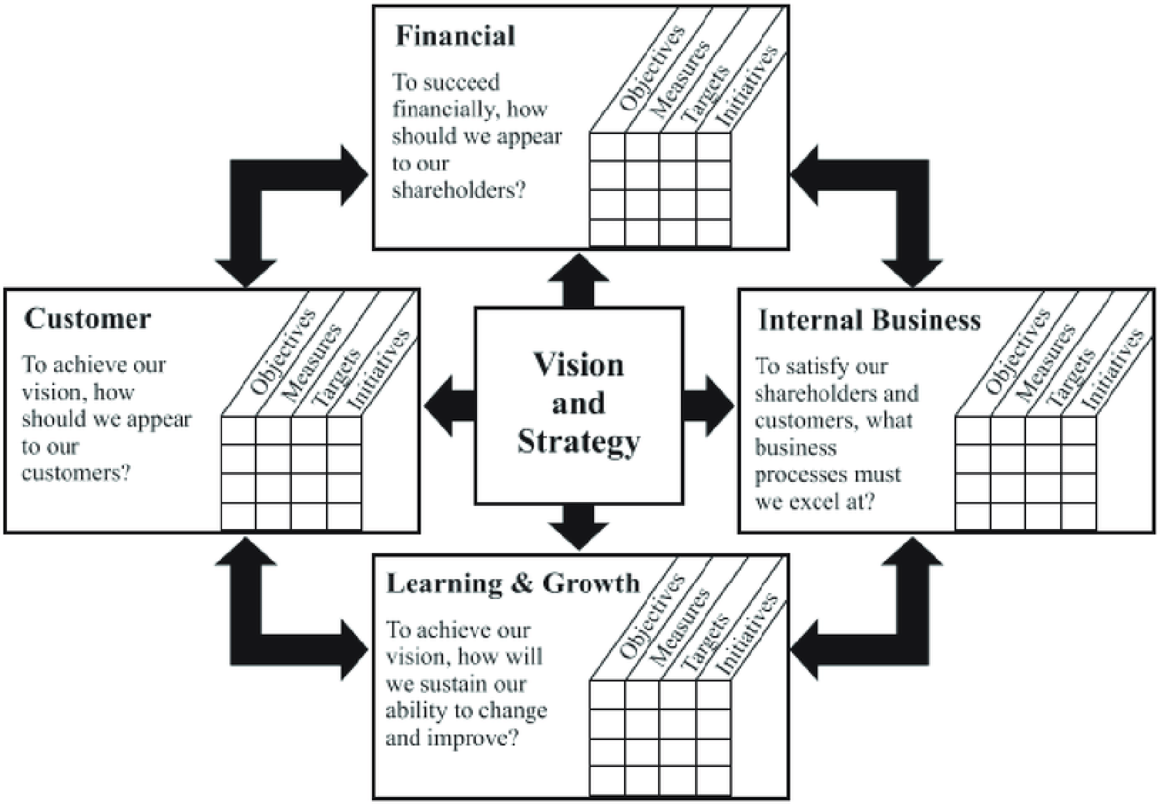
3.1.1. Identify Perspectives:

- Financial Perspective: Focus on financial performance indicators such as profitability, liquidity, and risk management.
- Customer Perspective: Consider measures related to customer satisfaction, loyalty, retention, and market share.
- Internal Process Perspective: Determine key processes that drive efficiency, productivity, and operational excellence.
- Learning and Growth Perspective: Define measures for employee skills, training, knowledge management, and innovation.

3.1.2. Define Objectives:

- Financial Perspective: Set objectives like increasing revenue, improving cost efficiency, or optimizing capital allocation.
- Customer Perspective: Define objectives to enhance customer satisfaction, expand market share, or develop customer-centric products.
- Internal Process Perspective: Establish objectives to streamline processes, reduce cycle time, or improve quality and compliance.
- Learning and Growth Perspective: Determine objectives to foster employee development, promote innovation, and enhance technological capabilities.

Figure 13:Graphical representation of the balanced scorecard (BSC) model



Source: The Innovativeness and Usage of the Balanced Scorecard Model in SMEs, Dudic, Zdenka and Dudic, Branislav a Zdenka and Gregus, Michal and Novackova, Daniela and Djakovic, Ivana, Sustainability journal,2020, p85.

3.1.3. Determine Measures:

- Financial Perspective: Select measures like return on equity (ROE), net interest margin (NIM), or cost-to-income ratio.
- Customer Perspective: Choose measures such as customer satisfaction scores, customer retention rate, or market penetration.
- Internal Process Perspective: Identify measures like process cycle time, error rates, or operational efficiency ratios.
- Learning and Growth Perspective: Determine measures such as employee training hours, employee satisfaction index, or number of new product launches.

3.1.4. Set Targets:

Establish specific targets for each measure based on desired performance levels and industry benchmarks. Targets should be challenging yet attainable.

3.2. Managing the BSC project

It is important to plan the stages of the BSC project in a precise and detailed way, to ensure that the first BSC model tables are produced as quickly as possible. There are three main stages:

3.2.1. Launching the project

The project must be initiated by senior management, who will define the system's objectives.

In general, the team responsible for setting up the dashboards includes: a management controller or consultant, an IT specialist and the key executives and managers who will be using the BSC. During this stage, the action plan to be adopted covers:

- Definition of objectives.
- Resources and means to be deployed.
- The steps to be taken to build the BSC.
- Foreseeable deadlines and each person's role in the analyses to be carried out.
- How the tool will be used by the various responsibility centers.

3.2.2. The key success factors:

The key success factors we identified for Alsalam Bank Algeria are as follows:

- Having a rich offering of products and services that cater to the needs of the bank's three customer segments.
- Expanding the branch network to be closer to customers for credit distribution and resource collection.
- Reducing the share of non-performing loans to decrease credit risk costs.
- Managing the evolution of the bank's overhead expenses.
- Improving service quality at branch level, particularly by reducing the processing time for credit applications.
- Enhancing the performance of the information system to secure banking operations and facilitate processing.
- Enhancing the competence and productivity of the bank's personnel, especially the sales teams.

Table 18:Summary of indicators for the balanced scorecard of Alsalam Bank

Prespectives	Indicators
Financial Perspective	- ROE (Return on Equity) - Solvency Ratio - Liquidity Ratio - Operating Efficiency Ratio - Loans-to-Deposits Ratio
Customer Perspective	- Growth in the number of customers - Customer satisfaction - Customer complaint rate - Dormant account rate - Account closure rate
Internal Process Perspective	- Number of new products launched - Branch network growth - Average processing time for credit applications - Service quality - Number of credit applications per customer advisor - Application rejection rate by management - Proportion of new applications in non-performing loans - Manual process rate
Learning and Development Perspective	- Employee satisfaction - Turnover rate - Absenteeism rate - Number of training seminars per employee - Employee productivity

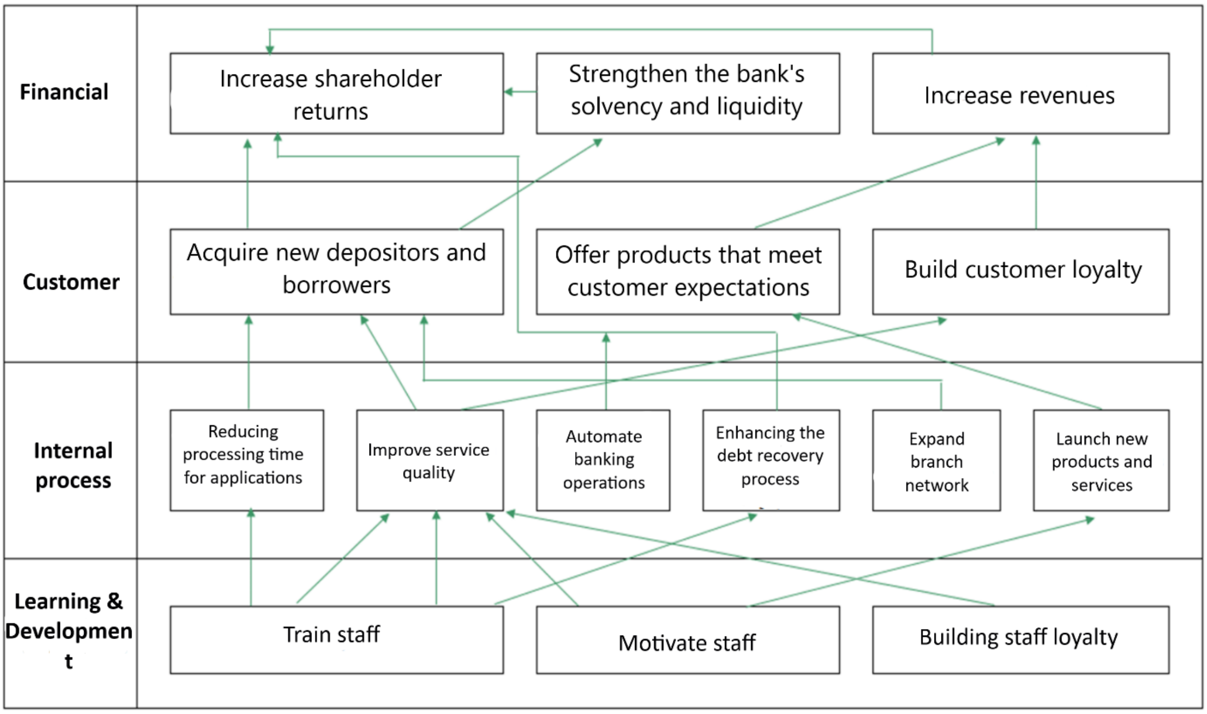
Source: Developed by the student.

Kaplan and Norton have developed an instrument known as the "strategy map". They consider it to be the focal point of the Balanced Scorecard, since it represents the expression of strategic hypotheses and defines the cause-and-effect relationships between the different variables that determine the company's performance.

Thus, the cause-and-effect relationships in the strategy map describe the path taken by improvements in intangible asset capabilities to be translated into tangible financial or customer results.

Below, we present a strategy map we developed for Alsalam Bank Algeria:

Figure 14:Alsalam Bank Algeria strategy map



Source: Developed by the student.

Once the indicators to be included in the dashboard have been chosen, the sources of the information and the methods of calculating the measurements to be used to feed these indicators need to be defined, and the target values and deadlines set. It would also be useful to draw up sheets for each indicator, setting out the characteristics of the indicator and the sources of information used, thus avoiding confusion and ensuring a common understanding for all dashboard users.

The design of a good dashboard alone is not enough to guarantee the success of a project. The type of support dedicated to the implementation of this tool within the bank remains a determining factor in its success.

3.2.3. Testing

Before generalizing the use of BSC at bank level, it is necessary to go through a test phase to ensure compliance with the tool's design principles.

Determine strategic initiatives or action plans that will help achieve the defined targets and objectives. These initiatives could include process improvements, training programs, technology investments, or customer service enhancements.

3.2.4. Use and monitoring

Regularly collect data for each measure and track performance against targets. Analyze the results, identify areas of improvement, and take corrective actions when necessary. Conduct periodic reviews to assess the effectiveness of the BSC model and make adjustments as needed.

CONCLUSION

the practical framework has provided us with a comprehensive understanding of the overall organization of Alsalam Bank and presented a detailed description of its budgeting system, highlighting the existing shortcomings.

Based on our analysis, we can conclude that the budgeting system within the bank is relatively effective but not without its limitations. We have presented the findings of our diagnostic assessment along with relevant recommendations.

It is imperative for Alsalam Bank to consider the integration of an integrated management software (IMS) and dashboards to enhance the effectiveness of budgetary control. These tools will enable the bank to improve accessibility, timeliness, and accuracy of financial information, leading to more informed decision-making and better control over budgetary processes.

By implementing these recommended enhancements, Alsalam Bank can enhance its budgeting practices, streamline data management, and strengthen its overall financial performance.

GENERAL CONCLUSION

At the end of this research, we conclude that changes in the Algerian banking environment have led banks to move from a narrow notion of control to a broader vision of the latter.

The aim of our research was to show the impact of banking activity on management control, but above all, on budget management, and to highlight the link between budget control and bank performance.

So many principles and prerequisites of anticipation, forecasting and organization are put in place for the application of a relevant budgeting system, we were able to see the importance of budget management in anticipation, in coordinating action plans over time, in communication and above all, in steering performance.

Measuring a bank's performance can be done using a variety of tools, such as: measuring profitability using two approaches (IMB and ratios); dashboards and reporting. It should be remembered that performance is the sum of effectiveness, efficiency, relevance and economy. The aforementioned tools tend to assess, to a much greater extent, the effectiveness of banks, while neglecting the rest. Effectiveness is measured by comparing the results obtained with the objectives. In response to this neglect, we have highlighted the contribution of budgetary control to performance assessment.

It can be deduced from our research that budgetary control is of great help in measuring bank performance:

- Financial data (budget variances) provided by budgetary control are included in dashboards alongside other activity data to enable managers to make the link between the two, detect the origins of budget deviations and take the necessary corrective action.
- Reporting enables upward transmission of information on the achievements of responsibility centers, and brings to the attention of line management the key elements to be retained, thus avoiding the risk of over-control and, subsequently, effective analysis of activity.

We can therefore confirm our general hypothesis that budgetary control contributes to performance assessment through the calculation of budget variances and various performance measurement tools.

Our analysis of Alsalam's budgeting system enabled us to assess its efficiency. We have identified a number of shortcomings, and proposed improvements to improve budgetary control and performance assessment.

At the end of this research, we were able to draw the following conclusions:

- As stated in the 1st hypothesis, and which leads to its confirmation, bank management control is a process of gathering and exploiting information, with a view to decision-making. It includes all the phases leading to the achievement of objectives (decision, steering and evaluation).

- The budget represents a short-term action plan expressed in figures and valued in monetary units, covering the entire company through its various responsibility centers. It is drawn up to achieve the objectives set out in the strategic plan. The 2nd hypothesis should therefore be confirmed.

- As mentioned, many times in our research, budgetary control is effectively a comparison between forecasts and actuals. It involves calculating variances linked to the operating process, the business and the various management elements.

- Performance measurement is both a process for disseminating information about objectives and resources, and a process for coordinating the actions of those involved. The budget helps to measure the bank's efficiency through budget variances, and therefore represents a performance assessment tool. This confirms the 3rd hypothesis.

- Through the case study conducted at Alsalam Bank, it was found that the budgeting process aligns with the research standards, however, it predominantly relies on traditional budgeting methods and lacks the incorporation of modern model of dashboards for performance management. This traditional approach limits the analysis of budget variances and may result in suboptimal corrective actions. Based on our findings, we partially reject the 4th hypothesis.

Budgetary control does indeed enable us to assess the bank's performance through budget variances and their impact on dashboards and reporting, thus confirming our main hypothesis.

on the basis of the results obtained, we can make the following general suggestions:

- Always accompany budgets with budgetary control in order to assess business trends and the degree of reliability of these forecasts.

- It is essential for banks, and all companies, to have dashboards and improve their techniques and models to support their budget monitoring and provide an overall assessment of performance.
- It is strongly recommended to invest in ERP and budget management software to optimize information processing in general and budget monitoring in particular.

In conclusion, our research provides a starting point for further improvement and exploration, particularly through conducting studies on certain unexplored concepts. We propose, for example, some research avenues:

- The specificities and characteristics of dashboards in banking activities.
- The adaptation of activity-based accounting in banks.
- Decision-making in the banking sector.

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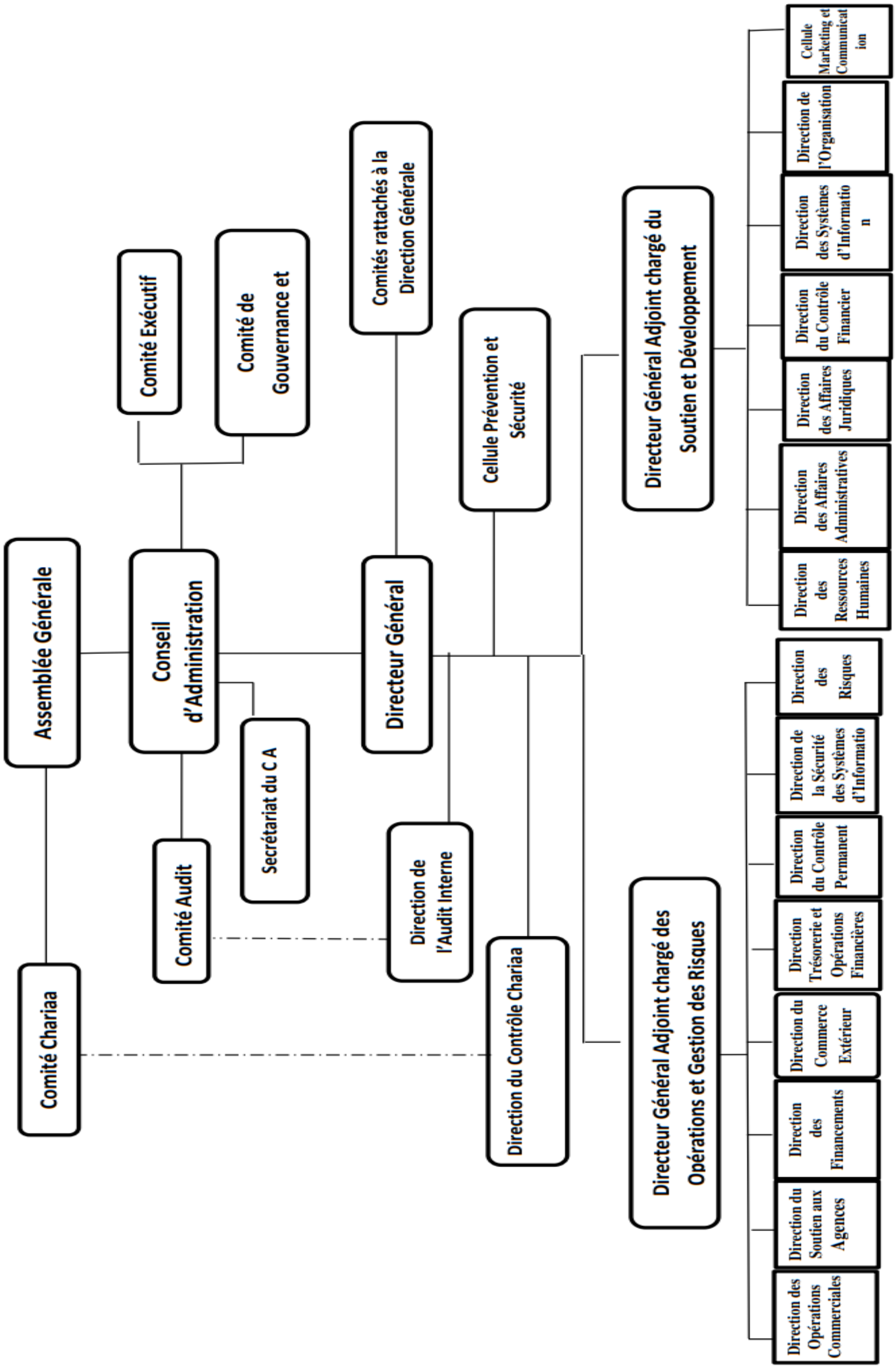
APPENDIXES

Appendix N°1: Organization chart of Alsalam bank



Appendix N°2: 2022 income statement budget (forecasts).

	31/10/21	31/12/21	2022													التغير		
			جانفي	فيفري	مارس	أفريل	ماي	جوان	جويلية	أوت	سبتمبر	أكتوبر	نوفمبر	ديسمبر	المجموع	10/2021-2020	2021/2020	2022/2021
قائمة الدخل بآلاف دج																		
المداخيل																		
مداخيل تمويل العملاء																		
عوائد التمويلات المباشرة	7,283,948	9,166,567	935,504	952,274	977,554	1,001,717	1,024,533	1,050,956	1,076,411	1,102,332	1,128,937	1,159,762	1,198,002	1,239,241	12,847,223	1%	27%	40%
عمولات خطابات الضمان	137,104	159,255	15,600	15,600	16,375	16,800	17,975	17,975	18,525	18,675	18,850	19,755	21,590	22,450	220,170	-13%	1%	38%
عمولة دراسة التمويلات	104,512	126,032	11,670	11,720	11,795	11,795	12,025	12,045	12,170	12,970	13,125	13,550	14,200	14,500	151,565	0%	20%	20%
مكافأة ودائع العملاء (-)	1,324,657	1,717,260	239,806	249,912	141,040	251,696	257,805	172,790	268,585	275,283	213,541	283,335	295,296	271,122	2,920,211	-2%	26%	70%
صافي دخل تمويل العملاء	**6,200,907**	**7,734,594**	**722,968**	**729,682**	**864,684**	**778,616**	**796,728**	**908,186**	**838,521**	**858,694**	**947,371**	**909,732**	**938,496**	**1,005,069**	**10,298,747**	**1%**	**26%**	**33%**
صافي دخل الودائع لدى البنوك	**12,963**	**20,583**	**4,543**	**4,991**	**4,812**	**4,631**	**5,075**	**5,518**	**5,335**	**5,196**	**5,102**	**5,633**	**6,163**	**6,067**	**63,065**	**-49%**	**-19%**	**206%**
مداخيل عمليات التجارة الخارجية																		
عمولات الاعتمادات المستندية	284,969	337,885	31,658	31,738	31,748	32,828	32,928	33,735	35,113	35,223	36,873	37,300	40,060	40,120	419,320	-33%	-20%	24%
عمولات التحصيلات المستندية	215,747	266,948	22,927	22,960	23,692	24,307	25,103	25,683	27,203	27,858	28,133	28,940	29,738	29,988	316,526	-60%	-51%	19%
عمولات أخرى / تجارة خارجية	280,470	376,328	31,798	31,818	32,329	32,876	33,189	34,043	35,453	35,883	36,271	36,779	37,843	38,022	416,305	-6%	27%	11%
عمولات مدفوعة للبنوك (-)	9,609	11,487	1,100	1,100	1,200	1,200	1,200	1,200	1,300	1,300	1,300	1,300	1,300	1,400	14,900	-86%	-83%	30%
صافي دخل عمليات التجارة الخارجية	**771,577**	**969,674**	**85,282**	**85,415**	**86,568**	**88,810**	**90,019**	**92,261**	**96,468**	**97,663**	**99,976**	**101,719**	**106,341**	**106,729**	**1,137,251**	**-36%**	**-19%**	**17%**
مداخيل أخرى																		
عمولات عمليات وسائل الدفع	187,382	232,748	20,320	20,330	21,225	21,610	21,840	22,550	23,060	23,490	23,517	24,270	24,900	24,890	272,002	10%	36%	17%
عمولات و مداخيل أخرى	279,060	349,246	59,238	12,897	7,342	30,043	7,023	7,076	30,584	7,131	7,198	31,666	7,444	7,451	215,093	44%	80%	-38%
عمولات مدفوعة للبنوك (-)	24,241	38,989	4,200	4,216	4,235	4,250	4,265	4,278	4,291	4,311	4,336	4,356	4,376	4,406	51,520	-22%	26%	32%
مجموع المداخيل الأخرى	**442,201**	**543,005**	**75,358**	**29,011**	**24,332**	**47,403**	**24,598**	**25,348**	**49,353**	**26,310**	**26,379**	**51,580**	**27,968**	**27,935**	**435,575**	**33%**	**63%**	**-20%**
مجموع المداخيل الصافية	**7,427,648**	**9,267,856**	**888,151**	**849,099**	**980,395**	**919,461**	**916,420**	**1,031,312**	**989,678**	**987,864**	**1,078,828**	**1,068,663**	**1,078,967**	**1,145,801**	**11,934,639**	**-4%**	**20%**	**29%**
المصاريف																		
أجور الموظفين	974,237	1,242,168	103,676	178,101	140,243	114,118	114,440	173,469	115,993	115,993	145,130	117,602	118,009	238,836	1,675,610	-9%	16%	35%
مصاريف التكوين	9,035	17,361	2,000	2,000	2,500	2,500	2,500	2,500	2,500	2,000	2,500	3,000	3,000	3,000	30,000	-27%	41%	73%
مكافآت	317,500	381,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	492,000	41%	69%	29%
خدمات إجتماعية	63,369	88,506	-	16,500	3,000	5,392	-	26,671	29,360	-	-	-	-	27,319	108,241	-18%	15%	22%
مجموع مصاريف الموظفين	**1,364,141**	**1,729,035**	**146,676**	**237,601**	**186,743**	**163,010**	**157,940**	**243,640**	**188,853**	**158,993**	**188,630**	**161,602**	**162,009**	**310,155**	**2,305,851**	**-2%**	**25%**	**33%**
اهتلاكات	**373,411**	**433,180**	**39,678**	**39,707**	**39,806**	**39,871**	**40,917**	**42,623**	**42,673**	**44,679**	**46,606**	**47,704**	**48,704**	**50,785**	**523,753**	**-5%**	**10%**	**21%**
ضرائب و رسوم	191,272	244,915	22,931	22,282	22,754	23,803	23,835	24,433	25,537	25,621	26,216	27,478	27,855	28,788	301,534	3%	31%	23%
نقل، إقامة و مهام	28,928	46,157	4,157	4,077	4,077	4,497	4,497	4,515	5,105	4,715	4,735	5,135	5,135	5,495	56,140	-43%	-9%	22%
وسائل الاتصال ونظم المعلومات	133,040	246,011	22,621	20,989	41,291	25,089	14,901	49,333	14,305	21,293	41,444	24,147	22,459	53,592	351,464	-29%	31%	43%
مجلس الإدارة	15,889	56,174	-	-	19,500	-	-	19,650	-	-	19,840	-	-	20,020	79,010	-71%	4%	41%
هيئة الفتوى و الرقابة الشرعية	9,405	18,143	-	-	5,500	-	-	8,800	-	-	8,800	-	-	8,800	31,900	-67%	-36%	76%
تسويق و إشهار	25,886	37,656	5,000	2,500	2,500	7,500	7,500	5,000	2,500	2,500	5,000	5,000	7,500	7,500	60,000	-8%	33%	59%
إيجار	120,126	144,447	12,684	12,684	12,684	13,684	13,719	13,719	13,719	13,747	13,747	13,747	13,762	13,762	161,658	-13%	5%	12%
صيانة و تأمين	50,463	69,284	3,992	4,792	9,529	3,992	3,992	13,173	4,002	4,015	10,376	5,369	4,119	13,631	80,979	-23%	6%	17%
أتعاب	128,773	165,218	13,496	13,496	13,496	13,496	19,596	13,803	13,803	13,803	14,010	14,110	14,110	14,110	171,334	12%	44%	4%
اشتراكات	58,244	78,863	5,979	6,224	11,491	8,960	6,803	7,197	7,318	8,068	9,028	8,756	9,207	10,541	99,572	6986%	9494%	26%
مصاريف أخرى	24,717	51,461	3,312	3,927	3,927	3,942	3,957	4,477	4,497	4,497	4,542	4,542	4,547	6,820	52,987	-51%	2%	3%
مجموع المصاريف التشغيلية الأخرى	**786,743**	**1,158,329**	**94,172**	**90,971**	**146,749**	**104,963**	**98,800**	**164,101**	**90,786**	**98,260**	**157,738**	**108,285**	**108,694**	**183,059**	**1,446,578**	**-13%**	**28%**	**25%**
مخصص عام	307,654	473,034	107,966	81,421	50,097	38,833	33,955	34,579	29,649	29,906	31,171	37,712	45,830	59,991	581,110	56%	140%	23%
مخصص التمويلات المصنفة	1,045,284	1,173,013	-	-	460,050	-	-	338,150	-	-	339,000	-	-	303,950	1,441,150	13%	27%	23%
مخصصات أخرى	24,670	24,670	-	-	-	-	-	-	-	-	-	-	-	2,500	2,500	441%	441%	-90%
استرجاعات المخصصات (-)	249,804	304,914	-	-	37,300	-	-	53,500	-	-	87,300	-	-	141,400	319,500	-3%	18%	5%
مجموع المخصصات	**1,127,804**	**1,365,803**	**107,966**	**81,421**	**472,847**	**38,833**	**33,955**	**319,229**	**29,649**	**29,906**	**282,871**	**37,712**	**45,830**	**225,041**	**1,705,260**	**31%**	**58%**	**25%**
مجموع المصاريف	**3,652,099**	**4,686,347**	**388,492**	**449,700**	**846,145**	**346,677**	**331,612**	**769,592**	**351,961**	**331,838**	**675,845**	**355,303**	**365,237**	**769,039**	**5,981,442**	**3%**	**32%**	**28%**
النتيجة قبل الضريبة	3,775,549	4,581,509	499,659	399,399	134,249	572,784	584,808	261,720	637,716	656,026	402,983	713,360	713,730	376,761	5,953,196	-9%	10%	30%
ضريبة الأرباح	981,643	1,192,288	129,911	103,844	34,905	148,924	152,050	68,047	165,806	170,567	104,776	185,474	185,570	97,958	1,547,831	-10%	10%	30%
النتيجة الصافية	**2,793,906**	**3,389,221**	**369,748**	**295,555**	**99,345**	**423,860**	**432,758**	**193,673**	**471,910**	**485,459**	**298,207**	**527,887**	**528,160**	**278,803**	**4,405,365**	**-9%**	**10%**	**30%**

Appendix N°3: 2022 balance sheet budget (forecasts).

	31/10/21	31/12/21	2022 جانفي	فيفري	مارس	أفريل	ماي	جوان	جويلية	أوت	سبتمبر	أكتوبر	نوفمبر	ديسمبر	المجموع	التغير 10/2021-2020	2021/2020	2022/2021
قائمة المركز المالي بملايين دج																		
الأصول																		
نقد و أرصدة لدى البنوك و المؤسسات المالية	79,732	75,916	77,717	77,535	78,291	79,743	80,478	80,015	81,663	81,621	84,243	83,753	84,385	85,456	85,456	49%	42%	13%
ودائع لأجل و تمويلات للبنوك و المؤسسات المالية	689	633	1,105	1,077	1,048	1,020	1,491	1,462	1,433	1,418	1,403	1,888	1,873	1,858	1,858	166%	144%	194%
تمويلات المؤسسات	**130,897**	**140,293**	**142,750**	**147,067**	**151,198**	**154,977**	**158,649**	**163,636**	**167,025**	**172,288**	**175,801**	**182,359**	**188,293**	**195,648**	**195,648**	**51%**	**62%**	**39%**
مرابحة و بيع أجل	30,862	31,133	33,813	34,702	35,677	36,648	37,234	38,806	39,799	41,479	42,224	43,769	45,172	47,135	47,135	45%	46%	51%
إجارة	12,548	13,040	13,517	13,891	14,511	14,960	15,514	15,964	16,171	16,400	16,658	17,401	17,973	18,491	18,491	6%	10%	42%
سلم	71,497	79,484	77,769	80,291	82,340	84,180	86,273	88,731	90,638	93,656	95,745	99,104	102,443	106,520	106,520	74%	93%	34%
إستصناع	8,883	9,756	10,110	10,509	10,748	10,899	11,276	11,493	11,689	11,962	12,245	12,823	13,336	14,002	14,002	48%	62%	44%
مضاربة و مشاركة	6,716	6,623	7,492	7,624	7,872	8,240	8,302	8,592	8,678	8,741	8,879	9,212	9,319	9,450	9,450	7%	5%	43%
حسابات جارية مدينة	392	257	49	50	50	50	50	50	50	50	50	50	50	50	50	877%	542%	-81%
تمويلات الأفراد	**14,863**	**14,451**	**14,286**	**14,175**	**14,131**	**14,047**	**14,019**	**13,986**	**13,915**	**13,838**	**13,811**	**13,789**	**13,773**	**13,861**	**13,861**	**-9%**	**-12%**	**-4%**
بيع بالتقسيط	9,671	8,975	8,743	8,512	8,292	8,084	7,890	7,706	7,522	7,336	7,138	6,927	6,746	6,570	6,570	-24%	-29%	-27%
مخصصات التمويلات المصنفة (-)	4,436	4,477	4,472	4,472	4,895	4,895	4,895	5,177	5,177	5,177	5,426	5,426	5,426	5,586	5,586	20%	21%	25%
مجموع تمويلات العملاء (صافي)	**141,324**	**150,267**	**152,564**	**156,770**	**160,434**	**164,129**	**167,773**	**172,445**	**175,763**	**180,949**	**184,186**	**190,722**	**196,640**	**203,923**	**203,923**	**42%**	**51%**	**36%**
أصول ثابتة	6,405	7,010	7,000	7,224	7,281	7,326	7,335	7,625	7,651	7,572	7,761	7,713	7,685	7,966	7,966	4%	14%	14%
أصول أخرى وحسابات التسوية	5,074	3,979	6,073	6,202	6,331	6,459	6,586	6,755	6,898	7,076	7,219	7,430	7,616	7,394	7,394	50%	18%	86%
مجموع الأصول	**233,224**	**237,804**	**244,459**	**248,808**	**253,385**	**258,676**	**263,663**	**268,303**	**273,408**	**278,637**	**284,813**	**291,506**	**298,200**	**306,598**	**306,598**	**43%**	**46%**	**29%**
الخصوم																		
ودائع البنوك والمؤسسات المالية	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	NA	NA	NA
حسابات جارية	40,876	50,088	48,737	49,666	50,746	51,614	52,293	53,216	54,101	55,144	56,509	58,034	59,701	62,285	62,285	30%	59%	24%
حسابات و سندات الاستثمار	49,071	49,672	52,336	53,798	55,081	56,544	58,027	59,602	60,770	62,469	63,955	65,638	67,311	69,250	69,250	94%	96%	39%
حسابات الادخار	29,844	32,010	32,969	33,906	34,832	35,777	37,483	38,549	39,520	40,607	41,960	43,251	44,688	46,505	46,505	57%	68%	45%
تأمينات نقدية	70,435	63,261	67,814	68,500	69,639	70,738	71,479	72,268	73,419	73,936	75,441	76,446	77,550	79,066	79,066	32%	18%	25%
مجموع ودائع العملاء	**190,226**	**195,031**	**201,856**	**205,870**	**210,298**	**214,673**	**219,282**	**223,635**	**227,810**	**232,156**	**237,865**	**243,369**	**249,250**	**257,106**	**257,106**	**47%**	**51%**	**32%**
أموال لتغطية المخاطر المصرفية العامة	1,820	1,987	2,053	2,135	2,185	2,224	2,257	2,292	2,322	2,352	2,383	2,421	2,466	2,526	2,526	20%	31%	27%
خصوم أخرى وحسابات التسوية	14,511	13,523	12,917	12,875	12,875	13,327	13,239	13,298	13,726	14,094	14,231	14,855	15,093	15,296	15,296	13%	5%	13%
مجموع الخصوم	**206,556**	**210,541**	**216,826**	**220,879**	**225,357**	**230,224**	**234,779**	**239,224**	**243,858**	**248,601**	**254,479**	**260,644**	**266,810**	**274,929**	**274,929**	**44%**	**46%**	**31%**
حقوق المساهمين																		
رأس المال	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	33%	33%	0%
احتياطيات	3,874	3,874	3,874	3,874	3,874	7,263	7,263	7,263	7,263	7,263	7,263	7,263	7,263	7,263	7,263	191%	191%	87%
النتيجة الصافية	2,794	3,389	370	665	765	1,189	1,621	1,815	2,287	2,772	3,071	3,598	4,127	4,405	4,405	-9%	10%	30%
الترحيل من جديد	-	-	3,389	3,389	3,389	-	-	-	-	-	-	-	-	-	-	-100%	-100%	NA
مجموع حقوق المساهمين	**26,668**	**27,263**	**27,633**	**27,929**	**28,028**	**28,452**	**28,885**	**29,078**	**29,550**	**30,036**	**30,334**	**30,862**	**31,390**	**31,669**	**31,669**	**41%**	**44%**	**16%**
مجموع الخصوم و حقوق المساهمين	**233,225**	**237,804**	**244,459**	**248,808**	**253,385**	**258,676**	**263,663**	**268,303**	**273,408**	**278,637**	**284,813**	**291,506**	**298,200**	**306,598**	**306,598**	**43%**	**46%**	**29%**

Appendix N°4: the income statement

متابعة تنفيذ الموازنة التقديرية
ديسمبر 2022

قائمة الدخل بآلاف الدينار الجزائري

المداخيل	ديسمبر 2022	المستهدف	نسبة الانجاز	نوفمبر 2022	نسبة النمو: ديسمبر 22 /نوفمبر 22	ديسمبر 2022 المجموع	المستهدف	نسبة الانجاز	ديسمبر 2021	نسبة النمو: ديسمبر 22 /ديسمبر 21
مداخيل تمويل العملاء										
عوائد التمويلات المباشرة	977,649	1,239,241	79%	981,668	-0.4%	11,457,048	12,847,223	89%	9,166,567	25%
عمولات خطابات الضمان	31,477	22,450	140%	42,446	-26%	353,746	220,170	161%	159,255	122%
عمولة دراسة التمويلات	9,520	14,500	66%	10,065	-5%	92,057	151,565	61%	126,032	-27%
مكافأة ودائع العملاء (-)	210,155	271,122	78%	231,023	-9%	2,315,607	2,920,211	79%	1,717,260	35%
صافي دخل تمويل العملاء	**808,491**	**1,005,069**	**80%**	**803,156**	**1%**	**9,587,244**	**10,298,747**	**93%**	**7,734,594**	**24%**
صافي دخل الودائع لدى البنوك	**5,443**	**6,067**	**90%**	**6,286**	**-13%**	**44,966**	**63,065**	**71%**	**20,583**	**118%**
مداخيل عمليات التجارة الخارجية										
عمولات الاعتمادات المستندية	41,381	40,120	103%	37,617	10%	398,393	419,320	95%	337,885	18%
عمولات التحصيلات المستندية	29,270	29,988	98%	27,956	5%	341,782	316,526	108%	266,948	28%
عمولات أخرى / تجارة خارجية	38,149	38,022	100%	32,669	17%	401,139	416,305	96%	376,328	7%
عمولات مدفوعة للبنوك (-)	883	1,400	63%	1,287	-31%	11,785	14,900	79%	11,487	3%
صافي دخل عمليات التجارة الخارجية	**107,917**	**106,729**	**101%**	**96,955**	**11%**	**1,129,529**	**1,137,251**	**99%**	**969,674**	**16%**
مداخيل أخرى										
عمولات عمليات وسائل الدفع	27,670	24,890	111%	27,564	0.4%	293,745	272,002	108%	232,748	26%
عمولات و مداخيل أخرى	44,964	7,451	603%	51,291	-188%	126,775	215,093	59%	349,246	-64%
عمولات مدفوعة للبنوك (-)	16,510	4,406	375%	3,897	324%	45,856	51,520	89%	38,989	18%
مجموع المداخيل الأخرى	**56,124**	**27,935**	**201%**	**27,624**	**-303%**	**374,664**	**435,575**	**86%**	**543,005**	**-31%**
مجموع المداخيل الصافية	**977,975**	**1,145,801**	**85%**	**878,773**	**11%**	**11,136,403**	**11,934,639**	**93%**	**9,267,856**	**20%**

المفتاح
نسبة انجاز < 80%
نسبة انجاز بين 80 و90%
نسبة انجاز بين 90 و110%
نسبة انجاز> 110%

قائمة الدخل بآلاف الدينار الجزائري

المصاريف	ديسمبر 2022	المستهدف	نسبة الانجاز	نوفمبر 2022	نسبة النمو: ديسمبر 22 /نوفمبر 22	ديسمبر 2022 المجموع	المستهدف	نسبة الانجاز	ديسمبر 2021	نسبة النمو: ديسمبر 22 /ديسمبر 21
أجور الموظفين	190,521	238,836	80%	91,471	108%	1,525,853	1,675,610	91%	1,242,168	23%
مصاريف التكوين	8,045	3,000	268%	2,677	201%	29,391	30,000	98%	17,361	69%
مكافآت	16,000	41,000	39%	41,000	-61%	397,503	492,000	81%	381,000	4%
خدما ت إجتماعية	38,010	27,319	139%	51	74429%	118,573	108,241	110%	88,506	34%
مجموع مصاريف الموظفين	**252,576**	**310,155**	**81%**	**135,199**	**87%**	**2,071,320**	**2,305,851**	**90%**	**1,729,035**	**20%**
اهتلاكات	**44,347**	**50,785**	**87%**	**39,657**	**12%**	**476,465**	**523,753**	**91%**	**433,180**	**10%**
ضرائب و رسوم	27,091	28,788	94%	21,373	27%	225,219	301,534	75%	244,915	-8%
نقل، إقامة و مهام	5,539	5,495	101%	9,701	-43%	50,004	56,140	89%	46,157	8%
وسائل الاتصال ونظم المعلومات	77,417	53,592	144%	32,921	135%	289,410	351,464	82%	246,011	18%
مجلس الإدارة	27,922	20,020	139%	11,770	137%	72,240	79,010	91%	56,174	29%
هيئة الفتوى و الرقابة الشرعية	13,018	8,800	148%	892	1359%	23,504	31,900	74%	18,143	30%
تسويق و إشهار	19,439	7,500	259%	4,476	334%	58,448	60,000	97%	37,656	55%
إيجار	13,401	13,762	97%	14,513	-8%	150,461	161,658	93%	144,447	4%
صيانة و تأمين	12,535	13,631	92%	10,250	22%	79,405	80,979	98%	69,284	15%
أتعاب	24,372	14,110	173%	10,272	137%	132,874	171,334	78%	165,218	-20%
اشتراكات	16,490	10,541	156%	5,926	178%	105,851	99,572	106%	78,863	34%
مصاريف أخرى	32,767	6,820	480%	5,205	530%	75,997	52,988	143%	51,461	48%
مجموع المصاريف التشغيلية الأخرى	**269,991**	**183,059**	**147%**	**127,299**	**112%**	**1,263,413**	**1,446,579**	**87%**	**1,158,329**	**9%**
مخصص عام	19,441	59,991	32%	- 50,583	-138%	150,156	581,110	26%	473,034	-68%
مخصص التمويلات المصنفة	159,980	303,950	53%	-	NA	1,482,087	1,441,150	103%	1,173,013	26%
مخصصات أخرى	1,035	2,500	41%	-	NA	1,835	2,500	73%	24,670	-93%
استرجاعات المخصصات(-)	49,017	141,400	35%	-	NA	233,909	319,500	73%	304,914	-23%
مجموع المخصصات	**131,439**	**225,041**	**58%**	**- 50,583**	**-360%**	**1,400,169**	**1,705,260**	**82%**	**1,365,803**	**3%**
مجموع المصاريف	**698,353**	**769,039**	**91%**	**251,572**	**178%**	**5,211,367**	**5,981,443**	**87%**	**4,686,347**	**11%**
النتيجة قبل الضريبة	279,622	376,761	74%	627,201	-55%	5,925,036	5,953,196	100%	4,581,509	29%
ضريبة الارباح	72,702	97,958	74%	163,072	-55%	1,532,530	1,547,831	99%	1,192,288	29%
النتيجة الصافية	**206,920**	**278,803**	**74%**	**464,129**	**-55%**	**4,392,506**	**4,405,365**	**100%**	**3,389,221**	**30%**

المفتاح

نسبة انجاز < 80%

نسبة انجاز بين 80 و90%

نسبة انجاز بين 90 و110%

نسبة انجاز> 110%

Appendix N°5: the 2022 Balance Sheets

قائمة المركز المالي بملايين الدينار الجزائري

	ديسمبر 2022	المستهدف	نسبة الانجاز	نوفمبر 2022	نسبة النمو: ديسمبر 22 /نوفمبر 22	ديسمبر 2021	نسبة النمو: ديسمبر 22 /ديسمبر 21
الأصول							
نقد و أرصدة لدى البنوك و المؤسسات المالية	77,706	85,456	91%	71,851	8%	75,916	2%
ودائع لأجل و تمويلات للبنوك و المؤسسات المالية	843	1,858	45%	1,349	-38%	633	33%
تمويلات المؤسسات	**164,051**	**195,648**	**84%**	**155,295**	**6%**	**140,293**	**17%**
مرابحة و بيع أجل	28,317	47,135	60%	28,455	-0.5%	31,133	-9%
إجارة	14,279	18,491	77%	14,606	-2%	13,040	9%
سلم	99,787	106,520	94%	92,116	8%	79,484	26%
إستصناع	13,016	14,002	93%	12,174	7%	9,756	33%
مضاربة و مشاركة	8,295	9,450	88%	7,579	9%	6,623	25%
حسابات جارية مدينة	357	50	713%	364	-2%	257	39%
تمويلات الأفراد	**12,366**	**13,861**	**89%**	**12,435**	**-0.6%**	**14,451**	**-14%**
بيع بالتقسيط	5,854	6,570	89%	6,092	-4%	8,975	-35%
إجارة	6,512	7,291	89%	6,343	3%	5,476	19%
مخصصات التمويلات المصنفة (-)	5,658	5,586	101%	5,512	3%	4,477	26%
مجموع تمويلات العملاء (صافي)	**170,759**	**203,923**	**84%**	**162,218**	**5%**	**150,267**	**14%**
أصول ثابتة	7,146	7,966	90%	6,789	5%	7,010	2%
أصول أخرى وحسابات التسوية	5,239	7,394	71%	5,717	-8%	3,979	32%
مجموع الأصول	**261,693**	**306,598**	**85%**	**247,923**	**6%**	**237,804**	**10%**

المفتاح: نسبة انجاز < 80% — نسبة انجاز بين 80 و90% — نسبة انجاز بين 90 و110% — نسبة انجاز> 110%

	ديسمبر 2022	المستهدف	نسبة الانجاز	نوفمبر 2022	نسبة النمو: ديسمبر 22 /نوفمبر 22	ديسمبر 2021	نسبة النمو: ديسمبر 22 /ديسمبر 21
الخصوم							
حسابات جارية	68,169	62,285	109%	64,626	5%	50,088	36%
حسابات و سندات الاستثمار	66,676	69,250	96%	61,419	9%	49,672	34%
حسابات الادخار	42,053	46,505	90%	41,267	2%	32,010	31%
تأمينات نقدية	38,178	79,066	48%	34,968	9%	63,261	-40%
مجموع ودائع العملاء	**215,076**	**257,106**	**84%**	**202,280**	**6%**	**195,031**	**10%**
أموال لتغطية المخاطر المصرفية العامة	2,137	2,526	85%	2,117	1%	1,987	8%
خصوم أخرى وحسابات التسوية	17,168	15,296	112%	16,429	4%	13,523	27%
مجموع الخصوم	**234,381**	**274,929**	**85%**	**220,826**	**6%**	**210,541**	**11%**
حقوق المساهمين							
رأس المال	20,000	20,000	100%	20,000	0%	20,000	0%
احتياطيات	2,920	7,263	40%	2,920	0%	3,874	-25%
النتيجة الصافية	4,392	4,405	100%	4,177	5%	3,389	30%
الترحيل من جديد	-	-	NA	-	NA	-	NA
مجموع حقوق المساهمين	**27,312**	**31,669**	**86%**	**27,097**	**1%**	**27,263**	**0.2%**
مجموع الخصوم و حقوق المساهمين	**261,693**	**306,598**	**85%**	**247,923**	**6%**	**237,804**	**10%**

المفتاح: نسبة انجاز < 80% — نسبة انجاز بين 80 و90% — نسبة انجاز بين 90 و110% — نسبة انجاز> 110%

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