The Influence of Balanced Scorecard Perspectives on Firm Performance: Evidence from the Service Industry in Dhangadhi Sub-Metropolitan City, Nepal

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ABSTRACT

Background: The service sector plays a vital role in economic development, making effective performance measurement essential for organizational success. Traditional performance measurement systems primarily focus on financial indicators while often overlooking important non-financial factors that contribute to long-term performance. The Balanced Scorecard (BSC) provides a comprehensive framework by integrating financial and non-financial perspectives. However, limited empirical evidence exists regarding the application of the BSC framework among service firms in Nepal, particularly at the regional level.

Objective: This study examines the influence of the four Balanced Scorecard perspectives—financial, customer, internal business process, and learning and growth—on firm performance in the service industry of Dhangadhi Sub-Metropolitan City (Wards 1-7), Nepal.

Methodology: A quantitative cross-sectional research design was employed. Data were collected through structured questionnaires administered to managerial, supervisory, and administrative personnel working in various service organizations. Out of 350 distributed questionnaires, 258 valid responses were used for analysis. Descriptive statistics, Pearson correlation, and multiple regression analysis were conducted using SPSS.

Results: The findings revealed that the Balanced Scorecard perspectives jointly have a significant influence on firm performance. The regression model explained 51.8% of the variation in firm performance ($R^2 = 0.518$, $p < 0.05$). Financial perspective, internal business process perspective, and learning and growth perspective were found to have positive and significant effects on firm performance. Among these, the learning and growth perspective emerged as the strongest predictor. However, the customer perspective did not show a statistically significant direct effect on firm performance.

Conclusion: The study concludes that both financial and non-financial factors are important determinants of firm performance. Service organizations should prioritize employee development, continuous improvement of internal processes, and strategic performance management practices to achieve sustainable growth and competitive advantage.

Keywords: Balanced Scorecard perspectives, Firm performance, Service industry, Dhangadhi Sub-Metropolitan City, Nepal.

INTRODUCTION

In today's dynamic business environment, organizations face increasing pressure from competition, changing customer expectations, and rapid technological advancement. As a result, relying solely on financial indicators is no longer sufficient, as traditional measures such as profit, return on assets, and cash flow provide only a backward-looking view and ignore key non-financial drivers such as customer satisfaction, employee development, innovation, and process quality (Al-Najjar & Kalaf, 2012). To address this limitation, Kaplan and Norton (1992, 1996, 2001) developed the Balanced Scorecard (BSC), a strategic framework that evaluates

performance through four perspectives: financial, customer, internal business processes, and learning and growth. The BSC has been widely recognized as an influential performance management tool globally (Mio et al., 2022). Empirical evidence shows that the BSC improves organizational performance by integrating financial and non-financial measures. Studies indicate that customer satisfaction and internal process efficiency are key performance drivers (Kairu et al., 2013), while financial, customer, and internal process perspectives significantly enhance firm performance and learning and growth supports long-term sustainability (Bshayreh et al., 2024).

The framework is particularly relevant for service organizations, where value creation depends on human interaction and intangible resources, and financial measures alone are insufficient (Nasuka & Hasbullah, 2020). In Nepal, the service sector is expanding rapidly, particularly in emerging urban areas such as Dhangadhi Sub-Metropolitan City, which includes banking, education, hospitality, insurance, IT, telecommunications, and healthcare services. However, most organizations still rely mainly on financial indicators for performance evaluation.

Although the Balanced Scorecard has been applied in Nepal, existing studies are limited to large organizations such as Nepal Telecom and commercial banks (Dahal et al., 2022; Parajuli & Shrestha, 2020). This creates a research gap in understanding how all four BSC perspectives jointly influence firm performance in diverse service-sector firms in regional cities. This study addresses this gap by examining the effect of financial, customer, internal business processes, and learning and growth perspectives on firm performance in service firms in Dhangadhi Sub-Metropolitan City (Wards 1–7), contributing empirical evidence from a developing economy context.

Statement of the Problem

Performance measurement is essential for effective business management, particularly in the service sector. In Nepal, many organizations still rely mainly on traditional financial indicators such as profit, sales growth, and return on investment (ROI) to assess performance. Although important, these measures reflect past outcomes and do not capture key drivers of future success such as customer relationships, internal efficiency, and employee development (Al-Najjar & Kalaf, 2012). This results in an incomplete understanding of organizational performance in service industries where intangible factors are critical. The Balanced Scorecard (BSC) addresses this limitation by integrating financial and non-financial perspectives, including financial, customer, internal business processes, and learning and growth (Kaplan & Norton, 1992).

Empirical studies show that the BSC improves organizational performance by enhancing efficiency, customer satisfaction, and innovation (Bshayreh et al., 2024; Nasuka & Hasbullah, 2020). However, in Nepal, existing research is limited and largely focused on large organizations such as banks and Nepal Telecom, where the BSC has shown positive effects on performance (Dahal et al., 2022; Parajuli & Shrestha, 2020). Evidence from smaller service firms and emerging urban areas remains scarce. This gap is particularly evident in the service sector of Dhangadhi Sub-Metropolitan City, where firms operate in banking, education, hospitality, insurance, telecommunications, IT, and healthcare. Most of these firms still rely heavily on financial indicators, limiting their ability to evaluate customer, process, and employee-related performance dimensions.

As a result, managers may focus on short-term financial outcomes while overlooking long-term capability development and operational improvements. Therefore, the central problem of this study is the lack of empirical evidence on how Balanced Scorecard perspectives influence firm performance in service-sector firms in Dhangadhi Sub-Metropolitan City (Wards 1–7), Nepal. This study addresses this gap by examining the contribution of each BSC dimension to organizational performance in a developing economy context.

Research Gap

Methodological Gap: Prior studies predominantly employ descriptive scorecards, ranking techniques, or isolated examination of Balanced Scorecard (BSC) dimensions, thereby failing to capture the simultaneous and interactive effects of financial, customer, internal process, and learning & growth perspectives on firm

performance (Parajuli & Shrestha, 2020; Nasuka & Hasbullah, 2020). This methodological fragmentation limits the explanatory power of existing empirical models and restricts holistic performance evaluation. In response, the present study adopts an integrated multiple regression approach to examine the combined effect of all four BSC perspectives on firm performance.

Geographical Gap: Existing empirical evidence in the Nepalese context is largely concentrated in metropolitan-based organizations and structured sectors such as banking and telecommunications, while service-sector SMEs in sub-metropolitan and semi-urban settings remain underrepresented in the literature (Dahal et al., 2022; Parajuli & Shrestha, 2020). This geographic concentration limits contextual generalizability. Accordingly, this study extends the empirical evidence by focusing on service-sector SMEs operating in Dhangadhi Sub-Metropolitan City, Nepal.

Empirical Gap: The literature reports inconsistent and inconclusive findings regarding the learning and growth perspective, particularly in relation to its effect on firm performance, indicating persistent empirical ambiguity (Al-Najjar & Kalaf, 2012; Bshayreh et al., 2024). The magnitude and direction of this relationship remain unclear across studies. Therefore, this study re-examines the learning and growth perspective within a multi-sector service context to generate updated and context-specific empirical evidence.

Theoretical Gap (RBV–BSC Integration): The Resource-Based View (RBV) is frequently applied as a complementary rather than fully integrated theoretical framework within Balanced Scorecard (BSC) studies, resulting in a weak and fragmented explanation of how organizational resources translate into performance outcomes through strategic capabilities (Dahal et al., 2022; Lee et al., 2023). This limits theoretical coherence in performance measurement research. To address this limitation, the present study integrates RBV and BSC by conceptualizing each BSC perspective as a strategic organizational capability that collectively drives firm performance.

Research Objectives

1. To assess the influence of the financial perspective on firm performance.
2. To examine the effect of the customer perspective on firm performance.
3. To analyze the contribution of the internal business process perspective to firm performance.
4. To assess the impact of the learning and growth perspective on firm performance.
5. To examine the joint influence of the four Balanced Scorecard perspectives on firm performance.

Research Hypotheses

Based on the theoretical and empirical literature, the following hypotheses are proposed:

H1: The financial perspective has a positive and significant influence on firm performance.

H2: The customer perspective has a positive and significant influence on firm performance.

H3: The internal business process perspective has a positive and significant influence on firm performance.

H4: The learning and growth perspective has a positive and significant influence on firm performance.

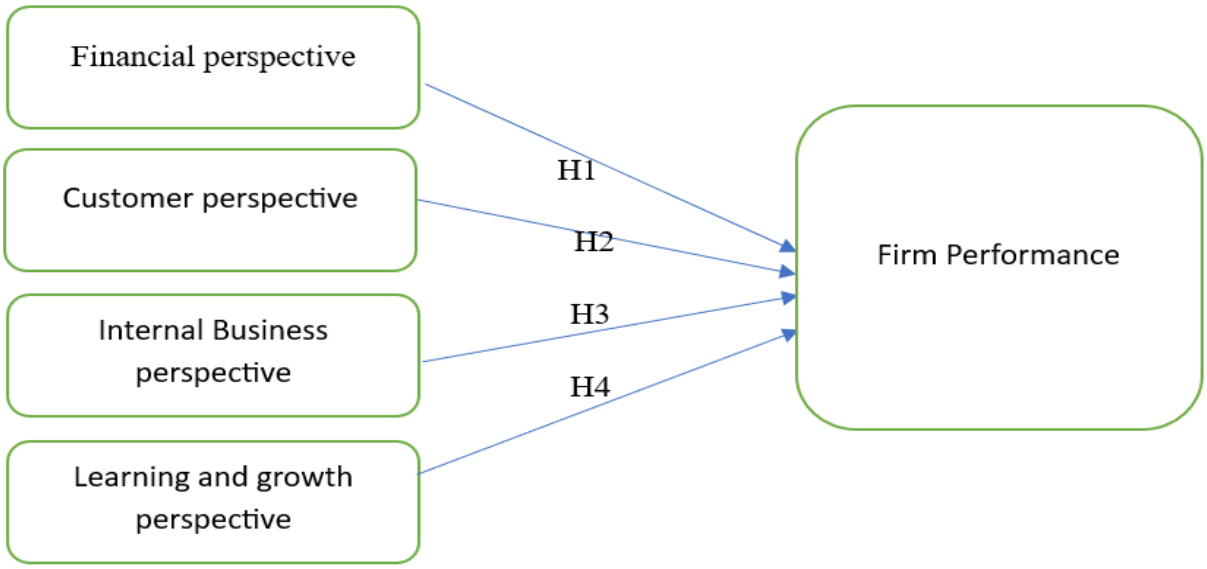
H5: The financial, customer, internal business process, and learning and growth perspectives jointly have a positive and significant influence on firm performance.

CONCEPTUAL FRAMEWORK

The conceptual model of this study is based on the Balanced Scorecard (BSC) framework, which argues that organizational performance cannot be fully understood through financial indicators alone. Instead, it integrates financial and non-financial perspectives, including customer outcomes, internal business processes, and learning and growth, to provide a more balanced and realistic view of performance. This integrated approach enables a more comprehensive understanding of how different performance dimensions interact and influence overall organizational success, rather than examining each dimension in isolation (Al-Najjar & Kalaf, 2012; Fatima & Elbanna, 2020).

As shown in Figure 1, the model specifies the four BSC perspectives as independent variables influencing firm performance as the dependent variable (Bshayreh et al., 2024; Parajuli & Shrestha, 2020). This framework is applied across multiple regional service sectors, including banking, insurance, healthcare, IT, education, and hospitality, to address the existing research gap beyond Nepal's capital city (Dahal et al., 2022; Kairu et al., 2013).

Figure 1: Conceptual Framework



Source: Adapted from Thuong and Singh (2023).

LITERATURE REVIEW

Theoretical Review

This study is grounded in the Resource-Based View (RBV), which explains firm performance through the effective utilization of valuable, rare, inimitable, and non-substitutable resources (Wernerfelt, 1984). RBV further posits that differences in firm performance arise from variations in internal capabilities, managerial practices, and knowledge-based resources (Wright et al., 2001). In service organizations, RBV is particularly relevant because competitive advantage is primarily driven by intangible resources such as employee competencies, customer relationships, service quality, and organizational learning. These resources are embedded within organizational routines, making them difficult for competitors to imitate and essential for sustaining superior performance. RBV also emphasizes that firm performance is determined by the interaction of multiple complementary resources.

Financial resources enable investment in innovation and capability development, while customer-related resources strengthen loyalty and market positioning. Internal business process capabilities enhance service efficiency, and learning and growth capabilities support organizational adaptability and continuous

improvement. The Balanced Scorecard (BSC), developed by Kaplan and Norton (1992), operationalizes this resource-based logic by extending performance measurement beyond financial indicators to include customer, internal business process, and learning and growth perspectives.

This framework is particularly relevant for service industries, where intangible resources significantly influence organizational outcomes. Within this study, the BSC perspectives are conceptualized as strategic resource domains. The financial perspective reflects financial capital, the customer perspective represents relational capital, the internal business process perspective captures organizational capital, and the learning and growth perspective reflects human and knowledge capital. Recent literature has strengthened the integration of RBV and BSC by conceptualizing BSC perspectives as manifestations of strategic organizational resources (Bshayreh et al., 2024).

This integration provides a coherent explanation of how different capability domains collectively influence firm performance. This study adopts RBV as the underlying theoretical foundation and the Balanced Scorecard as the operational framework to examine how financial, customer, internal business process, and learning and growth capabilities influence firm performance in service organizations in Dhangadhi Sub-Metropolitan City, Nepal.

EMPIRICAL REVIEW

Empirical evidence consistently supports a positive relationship between Balanced Scorecard perspectives and firm performance, although the strength and nature of these effects vary across dimensions. The financial perspective significantly enhances performance through profitability, revenue growth, cost efficiency, and return on investment (Bshayreh et al., 2024; Parajuli & Shrestha, 2020).

Similarly, the customer perspective improves performance via satisfaction, loyalty, and retention, with evidence also indicating mediating effects through customer outcomes (Jeong et al., 2022; Kairu et al., 2013). The internal business process perspective contributes to performance by improving operational efficiency, service quality, and innovation, thereby reducing costs and strengthening competitiveness (Abu Jaber & Nashwan, 2022; Dahal et al., 2022). The learning and growth perspective generally shows positive but less consistent and often indirect effects on performance, mainly operating through other Balanced Scorecard dimensions (Bshayreh et al., 2024).

METHODOLOGY

Research Design

This study employed a quantitative research approach to examine the relationship between Balanced Scorecard (BSC) perspectives and firm performance. An explanatory (causal) research design was used to assess the effect of financial, customer, internal business process, and learning and growth perspectives on firm performance. A cross-sectional survey design was adopted, with data collected at a single point in time using a structured questionnaire. This design is appropriate for testing hypothesized relationships among variables and examining both the individual and combined effects of the BSC perspectives on firm performance.

Study Area

The study was conducted in Dhangadhi Sub-Metropolitan City, Kailali District, Sudurpashchim Province, Nepal, covering Wards 1–7. This location was selected due to its diverse concentration of service-sector organizations, making it suitable for examining the implementation of Balanced Scorecard (BSC) perspectives and their effect on firm performance across multiple service industries.

Population and Sample

The population comprised employees working in service-sector organizations located in Dhangadhi Sub-Metropolitan City, Wards 1–7. The study covered key service industries, including banking and financial services, healthcare, education, information technology and telecommunications, hospitality and tourism, and insurance. A total of 350 questionnaires were distributed, and 291 responses were received. After data screening, responses from organizations not using the Balanced Scorecard (BSC) were excluded. Finally, 258 usable responses were retained for statistical analysis.

Sampling Technique

A non-probability convenience sampling technique was used to select respondents for this study. The sample comprised employees working in service-sector organizations in Dhangadhi Sub-Metropolitan City. Respondents were selected based on their accessibility and willingness to participate in the online survey. This sampling approach was adopted due to the absence of a comprehensive sampling frame of service-sector employees in the study area.

Data Collection Procedure

A total of 50 service-sector organizations were selected for the study. These organizations represented six sectors: banking and financial services (10), healthcare (8), education (11), information technology and telecommunications (6), hospitality and tourism (9), and insurance (6).

Primary data were collected using a structured questionnaire. On average, seven questionnaires were distributed in each organization to employees at different organizational levels, including operational staff, supervisors, managers, senior managers, and executives.

Research Instrument

Data were collected using a structured questionnaire adapted from validated scales (Bshayreh et al., 2024). The instrument comprised two sections: Section A captured respondents' demographic and organizational characteristics, while Section B measured the study constructs using a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The questionnaire measured five constructs: Financial Perspective (FP), Customer Perspective (CP), Internal Business Process Perspective (IBP), Learning and Growth Perspective (LGP), and Firm Performance (FSP). Multiple items were used for each construct, and composite scores were computed using the mean of the corresponding items.

Variables of the Study

The study includes four independent variables based on the Balanced Scorecard framework: Financial Perspective (FP), Customer Perspective (CP), Internal Business Process Perspective (IBP), and Learning and Growth Perspective (LGP). Firm Performance (FSP) is the dependent variable. All variables were treated as continuous constructs and operationalized using multiple indicators. Composite scores were generated by averaging item responses for each construct to ensure measurement consistency across variables.

Data Analysis Techniques

Data analysis was conducted using IBM SPSS Statistics version 26 (IBM Corp., 2019). Descriptive statistics (frequencies, percentages, means, and standard deviations) were used to summarize respondent characteristics and the distribution of study variables. Data screening involved assessment of missing values, outliers, and normality using boxplots and P–P plots of standardized residuals. Multicollinearity was examined using Tolerance and Variance Inflation Factor (VIF). Internal consistency was assessed using Cronbach's alpha, while construct validity was examined through Exploratory Factor Analysis (EFA). The EFA employed Principal Component Analysis (PCA) with Varimax rotation, and its suitability was confirmed using the Kaiser–Meyer–Olkin (KMO) measure and Bartlett's Test of Sphericity. Pearson correlation analysis was conducted to examine interrelationships among variables. Finally, multiple regression analysis was used to test the hypothesized relationships between Balanced Scorecard perspectives and firm performance, using the model:

$$FSP = \beta_0 + \beta_1 FP + \beta_2 CP + \beta_3 IBP + \beta_4 LGP + \varepsilon$$

Hypotheses H1–H4 were evaluated based on the statistical significance of individual regression coefficients (β and p-values), while H5 was assessed using the F-statistic for overall model significance.

RESULTS

Questionnaire Distribution and Response Rate

Data were collected from employees working in service-sector organizations located in Wards 1–7 of Dhangadhi Sub-Metropolitan City, Nepal. The study included organizations from six service sectors. Respondents represented different organizational levels, including operational staff, supervisors, managers, senior managers/directors, and executives. A total of 350 questionnaires were distributed across the selected organizations. Table 1 presents the distribution of questionnaires and response rates by service industry sector.

Table 1. Frequency of Questionnaire Responses

Industry Type	No of questionnaires distributed	No of responses received	Response rate (In percent)
Banking & Financial Services	70	49	70
Healthcare	56	43	76
Education	77	76	98.70
IT & Telecommunications	42	39	92.86
Hospitality & Tourism	63	55	87.30
Insurance	42	29	69.04
Total	350	291	83.14

Source: Questionnaire survey (2025).

Table 1 shows the distribution of questionnaires and response rates across the six service sectors. Of the 350 questionnaires distributed, 291 were returned, resulting in an overall response rate of 83.14%. The education sector recorded the highest response rate (98.70%), followed by information technology and telecommunications (92.86%), hospitality and tourism (87.30%), and healthcare (76%). Lower response rates were observed in the banking and financial services (70%) and insurance (69.04%) sectors. Overall, the high response rate indicates a satisfactory level of participation and provides a sufficient basis for subsequent statistical analysis.

Sample Screening and Final Sample Size.

Before conducting the statistical analysis, the collected responses were carefully examined to ensure their suitability for inclusion in the study. Data screening was an important step in survey research, as it ensured that only valid and relevant responses were used for further analysis. Since this study focused on organizations implementing the Balanced Scorecard (BSC), responses from participants whose organizations did not use the BSC were excluded. After screening, several questionnaires were removed based on the study criteria. The summary of total responses, excluded responses, and the final usable sample is presented in Table 2.

Table 2. Sample Size and Usable Responses

Description	Number (n)
Total responses collected	291
Excluded (BSC not used)	33
Final usable responses analyzed	258

Source: Questionnaire survey (2025).

Table 2 summarizes the screening process and the final sample used for analysis. Of the 291 completed questionnaires, 33 responses were excluded because the respondents indicated that their organizations did not implement the Balanced Scorecard, which was a prerequisite for inclusion in the study. Consequently, the final sample comprised 258 valid responses, which were used for the demographic and subsequent statistical analyses.

Reliability and Validity Analysis

Reliability Analysis: To evaluate the internal consistency of the measurement instrument, Cronbach's alpha (α) was calculated for 26 items assessing the primary construct. The analysis was based on 258 valid responses, providing a strong basis for reliability testing. The results of the reliability analysis are presented in Table 3.

Table 3. Reliability Statistics for the Survey Instrument

Scale	Cronbach's α	Number of items
Overall Scale	.949	26

Source: Questionnaire survey (2025).

Table 3 shows the Cronbach's alpha coefficient for the 26-item scale was .949, indicating excellent internal consistency. This value exceeds the recommended threshold of .70 (George & Mallery, 2003), confirming a high level of reliability. The results suggest that the items are highly interrelated and consistently measure the intended construct. Therefore, the instrument is considered reliable and suitable for further analysis.

Validity Analysis: Construct validity and data suitability were assessed using the Kaiser-Meyer-Olkin (KMO) measure and Bartlett's Test of Sphericity based on 258 valid responses. The result is presented in Table 4.

Table 4. KMO and Bartlett's Test of Sphericity

Measure	Value
Kaiser Meyer- Olkin (KMO)	.925
Bartlett's Test of Sphericity	
χ^2	4551.35
df	325
P - value	< .001

Source: Questionnaire survey (2025).

Table 4 shows the KMO value of .925 indicates excellent sampling adequacy, exceeding the recommended threshold of .70 (Kaiser, 1974). Bartlett's test was statistically significant, (χ^2= 4551.35, df = 325, p < .001), confirming that the data are suitable for further analysis.

Normality Assessment

Prior to conducting parametric statistical analyses, the distribution of the study variables was examined to assess the normality assumption. Normality was evaluated using skewness and kurtosis statistics, which indicate the symmetry and peakedness of the distribution. These indices are widely accepted for assessing normality, particularly in studies with large sample sizes. Values within the commonly accepted thresholds suggest that the data do not substantially deviate from a normal distribution. The results are presented in Table 5.

Table 5. Skewness and Kurtosis Values for Normality Diagnostics

Variable	Skewness	Kurtosis
Financial Perspective	-0.64	0.86
Customer Perspective	-1.18	1.70
Internal Business Perspective	-1.08	1.83
Learning and growth Perspective	-1.02	1.56
Firm Performance	-0.93	1.29

Table 5 shows that the skewness values for Financial Perspective (FP), Customer Perspective (CP), Internal Business Process Perspective (IBP), Learning and Growth Perspective (LGP), and Firm Performance (FSP) ranged from −1.18 to −0.64, indicating slight negative skewness across all variables. This suggests that responses were generally concentrated toward the higher end of the measurement scale.

The kurtosis values ranged from 0.86 to 1.83, indicating a moderately peaked distribution without evidence of extreme kurtosis. Overall, the skewness and kurtosis values remained within acceptable thresholds, suggesting that the data did not substantially deviate from normality. Accordingly, the normality assumption was considered satisfied, supporting the use of parametric statistical techniques, including correlation and regression analyses.

Descriptive Statistics

To examine the general level of Balanced Scorecard (BSC) adoption among service firms in Dhangadhi Sub-Metropolitan City, descriptive statistics were computed for the four BSC perspectives Financial, Customer, Internal Business Process, and Learning & Growth as well as Firm Performance. Mean and standard deviation values were calculated to assess the overall perception of respondents regarding the implementation of these strategic management dimensions. The results are presented in Table 6.

Table 6. Descriptive Statistics for Balanced Scorecard Perspectives and Firm Performance

S.no.	BSC Perspective	M	S. D
1.	Financial perspective	3.51	0.75
2.	Customer perspective	3.75	0.77
3.	Internal business process perspective	3.77	0.78
4.	Learning & growth perspective	3.81	0.71
5.	Firm performance	3.86	0.69

Note. M= Mean; SD= Standard Deviation.

Table 6 shows the mean and standard deviation values for the Balanced Scorecard perspectives and firm performance among service industry in Dhangadhi. Financial Perspective recorded a mean score of 3.51 (SD = 0.75), while Customer Perspective had a mean of 3.75 (SD = 0.77). Internal Business Process Perspective reported a mean of 3.77 (SD = 0.78), and Learning and Growth Perspective showed a mean of 3.81 (SD = 0.71). Firm Performance recorded a mean score of 3.86 with a standard deviation of 0.69. The standard deviation values ranged from 0.69 to 0.78 across all variables.

Correlation Analysis

Correlation analysis was conducted to examine the linear relationships among Financial Perspective (FP), Customer Perspective (CP), Internal Business Process Perspective (IBP), Learning and Growth Perspective (LGP), and Firm Performance (FSP). The Pearson correlation coefficient was used to measure the strength and direction of the relationships among these variables. A positive correlation indicates that the variables move in the same direction, whereas a negative correlation indicates an inverse relationship. The results are presented in Table 7.

Table 7. Pearson Correlation Matrix Among Balanced Scorecard Perspectives and Firm Performance

Variable	FP	CP	IBP	LGP	FSP
Financial Perspective (FP)	1				

Customer Perspective (CP)	.695**	1			
Internal Business Process Perspective (IBP)	.527**	.711**	1		
Learning & Growth Perspective (LGP)	.400**	.531**	.659**	1	
Firm Performance (FSP)	.507**	.532**	.601**	.654**	1

Note. n = 258. Correlation is significant at the 0.01 level (2-tailed).

Table 7 shows the Pearson correlation matrix for the Balanced Scorecard perspective and firm performance based on a sample of N = 258. The results show that all variables are positively correlated and statistically significant at the 0.01 level (2-tailed).

The correlation between Financial Perspective and Customer Perspective is .695**, between Financial Perspective and Internal Business Process Perspective is .527**, and between Financial Perspective and Learning and Growth Perspective is .400**. Financial Perspective and Firm Performance show a correlation of .507**. Customer Perspective has a correlation of .711** with Internal Business Process Perspective and .531** with Learning and Growth Perspectives. The correlation between Customer Perspective and Firm Performance is .532**. Internal Business Process Perspective is correlated with Learning and Growth Perspective at .659** and with Firm Performance at .601**. Learning and Growth Perspective shows a correlation of .654** with Firm Performance. Overall, the table reflects positive relationships among all Balanced Scorecard perspectives and Firm Performance.

Multicollinearity

To ensure the validity of the multiple regression analysis, multicollinearity among the independent variables was assessed. Multicollinearity occurs when two or more predictor variables are highly correlated, which could distort the regression estimates and reduce the reliability of the results. In this study, multicollinearity was examined using Tolerance and Variance Inflation Factor (VIF) statistics. The results are presented in Table 8.

Table 8. Multicollinearity Diagnostics

Predictor	**Tolerance**	**VIF**
Financial perspective	0.515	1.942
Customer perspective	0.350	2.860
Internal Business perspectives	0.383	2.611
Learning and Growth perspective	0.558	1.793

Note. Tolerance values greater than 0.10 and variance inflation factor (VIF) values below 10 indicate the absence of multicollinearity.

Table 8 showed that the tolerance values for the independent variables ranged from 0.350 to 0.558, all of which exceeded the recommended threshold of 0.10. Similarly, the VIF values ranged from 1.793 to 2.860, remaining well below the critical value of 10. These findings indicated that multicollinearity was not a concern among the Financial Perspective, Customer Perspective, Internal Business Process Perspective, and Learning and Growth Perspective variables. Therefore, all independent variables were retained for the subsequent multiple regression analysis

Multiple Regression Analysis

The following tables present the findings of the model summary and analysis of variance (ANOVA), and beta coefficients indicating how independent variables such as Financial Perspective, Customer Perspective, Learning

and Growth Perspective and Internal Business Process Perspective, affect Firm Performance. In this model, Firm Performance is treated as the dependent variable, while the four Balanced Scorecard perspectives are considered independent variables.

Table 9. Model Summary for BSC Perspectives and Firm Performance

Model	*R*	R^2	*Adjusted* R^2	Std. Error of the Estimate
1	.720[a]	.518	.510	.486

Note. Predictors: (Constant), Learning and Growth Perspective, Financial Perspective, Internal Business Process Perspective, Customer Perspective.

Table 9 shows the model summary of the multiple regression analysis. The value of *R* was .720, indicating a strong positive relationship between the independent variables and firm performance. The R^2 value was .518, indicating that 51.8% of the variance in firm performance was explained by the Financial Perspective, Customer Perspective, Internal Business Process Perspective, and Learning and Growth Perspective. The adjusted R^2 value was .510, indicating that 51.0% of the variance was explained after adjusting for the number of predictors in the model. The standard error of the estimate was .486, suggesting a reasonable level of predictive accuracy.

Table 10. Analysis of Variance (ANOVA) for BSC Perspectives and Firm Performance

Model	Sum of Squares	*df*	Mean Square	*F*	*p*
Regression	64.074	4	16.019	67.891	< .001
Residual	59.695	253	0.236		
Total	123.769	257			

Note. Dependent variable: Firm Performance. Predictors: (Constant), Learning and Growth Perspective, Financial Perspective, Internal Business Process Perspective, Customer Perspective.

Table 10 shows that the overall regression model was statistically significant, $F(4, 253) = 67.891$, $p < .001$. This finding suggests that the Balanced Scorecard perspectives jointly explained a significant proportion of the variance in firm performance, demonstrating a good model fit.

Table 11. Regression Coefficients for Balanced Scorecard Perspectives on Firm Performance

Predictor	*B*	*SE*	*β*	*t*	*p*
Constant	.842	.187		4.499	< .001
Financial Perspective	.211	.056	.228	3.750	< .001
Customer Perspective	.008	.066	.009	.117	.907
Internal Business Process Perspective	.169	.063	.190	2.687	.008
Learning and Growth Perspective	.422	.057	.433	7.411	< .001

Note. Dependent variable: Firm Performance. *B* = unstandardized coefficient; *SE* = standard error; *β* = standardized coefficient; *t* = t-statistic; *p* = significance value.

Table 11 shows that multiple regression analysis was conducted to examine the effects of the Balanced Scorecard perspectives on firm performance at the 5% significance level. The results indicate that financial perspective, internal business process perspective, and learning and growth perspective have statistically significant positive effects on firm performance, whereas customer perspective is not statistically significant. Among the predictors, learning and growth perspective emerged as the strongest determinant of firm performance.

RESULTS OF HYPOTHESIS TESTING

The study tested five hypotheses to examine the influence of Balanced Scorecard (BSC) perspectives on firm performance in the service industry of Dhangadhi Sub-Metropolitan City, Nepal. Based on the results of regression and ANOVA analyses, each hypothesis was evaluated as either supported or not supported. The results are summarized in Table 12.

Table 12. Summary of Hypothesis Testing Results

Hypothesis	Statement	β	p	Decision
H1	Financial perspective → firm performance	.228	< .001	Supported
H2	Customer perspective → firm performance	.009	.907	Not supported
H3	Internal business process → firm performance	.190	.008	Supported
H4	Learning and growth → firm performance	.433	< .001	Supported
H5	All BSC perspectives jointly influence firm performance	—	< .001	Supported

DISCUSSION

The findings, interpreted through the Balanced Scorecard (BSC) framework (Kaplan & Norton, 1992), indicate that the financial perspective has a positive and significant effect on firm performance, supporting H1. This suggests that profitability, cost control, and efficient resource utilization remain key determinants of organizational success in service firms. This finding is consistent with prior studies highlighting financial performance as a major driver of firm outcomes (Alharbi & Abdulaziz, 2025; Lee et al., 2023; Parajuli & Shrestha, 2020). From a theoretical perspective, BSC conceptualizes financial outcomes as lagging indicators that reflect the results of prior strategic actions rather than drivers of future performance (Rahimi et al., 2017; Rompho, 2020; Storey, 2002), where financial results represent the end point of strategy execution.

The customer perspective does not significantly influence firm performance, leading to rejection of H2. This suggests that customer satisfaction, loyalty, and service quality may not directly translate into short-term performance outcomes in the sampled firms. This finding contrasts with prior empirical studies in service industries that report a positive relationship between customer-related measures and organizational performance (Dwivedi et al., 2021; Putri et al., 2024; Taylor & Baines, 2012). However, some studies also argue that customer outcomes do not always have an immediate direct effect and may instead contribute indirectly through improved efficiency, stronger relationships, or long-term competitiveness (Al-Hanawi, 2018; Thakur & Padhi, 2022). Theoretically, this supports the BSC view that customer performance acts as an intermediate outcome that influences financial performance through internal business processes rather than operating independently (Kaplan & Norton, 1992).

The internal business process perspective has a positive and significant effect on firm performance, supporting H3. This indicates that operational efficiency, workflow coordination, and service quality enhance organizational outcomes. This is consistent with prior research emphasizing internal processes as a key determinant of performance (Alharbi & Abdulaziz, 2025; Dahal et al., 2022; Lee et al., 2023). Theoretically, the BSC framework

positions internal processes as the central mechanism that translates strategic objectives into measurable performance outcomes (Kaplan & Norton, 1992).

Similarly, the learning and growth perspective significantly influences firm performance, supporting H4. This suggests that employee development, innovation, and organizational learning strengthen service quality and adaptability. This finding aligns with prior studies emphasizing human capital and knowledge development as key performance enablers (Bshayreh et al., 2024; Dwivedi et al., 2021; Putri et al., 2024). From a theoretical perspective, BSC explains this dimension as the foundational layer that drives internal process improvement, customer value creation, and ultimately financial performance (Kaplan & Norton, 1992).

Finally, the four Balanced Scorecard perspectives jointly have a significant effect on firm performance, supporting H5. This confirms that firm performance is driven by an integrated system of interdependent dimensions rather than isolated factors. This finding is consistent with prior studies emphasizing the combined effect of performance dimensions (Alharbi & Abdulaziz, 2025; Lee et al., 2023; Parajuli & Shrestha, 2020; Putri et al., 2024). Theoretically, this strongly supports the BSC causal chain (Kaplan & Norton, 1992), where learning and growth enhance internal processes, which improve customer outcomes, and ultimately lead to financial performance.

CONCLUSION

This study examined the effect of Balanced Scorecard (BSC) perspectives on firm performance in the service industry, focusing on the integration of financial and non-financial dimensions in a developing economy context. It addresses the gap in prior research that has largely emphasized financial indicators while giving limited attention to the combined effects of all four BSC perspectives, particularly in emerging economies such as Nepal. The findings show that financial, internal business process, and learning and growth perspectives significantly enhance firm performance, with learning and growth emerging as the strongest determinant, while the customer perspective is statistically insignificant. Overall, the results confirm that the Balanced Scorecard remains a relevant and effective framework for improving organizational performance through a holistic and integrated measurement approach.

Managerial Implications

The findings provide several important implications for managers, practitioners, and policymakers in the service sector. First, the strong effect of the learning and growth perspective suggests that organizations should prioritize investment in human capital through employee training, skill development, innovation, and knowledge management systems to sustain long-term performance. Second, improvements in internal business processes are essential, requiring managers to focus on process optimization, workflow efficiency, and better coordination to enhance service quality and operational effectiveness. Third, effective financial management remains critical, particularly in budgeting, cost control, and resource allocation to ensure financial stability and organizational sustainability. Although the customer perspective is not statistically significant, it remains strategically important for long-term competitiveness and should not be ignored. Finally, policymakers should promote the adoption of structured performance frameworks such as the Balanced Scorecard through capacity-building and institutional support to strengthen performance management practices in the service sector.

Future Research Directions

Despite its contributions, this study has limitations that suggest directions for future research. Future studies should improve generalizability by expanding the geographical scope and increasing sample size across different regions and sectors. Comparative and industry-specific research focusing on sectors such as banking, healthcare, education, and hospitality is also recommended to better understand how Balanced Scorecard dimensions vary across service contexts. In addition, future research should incorporate contextual and behavioral factors such as organizational culture, leadership style, technological readiness, innovation capability, and employee commitment to provide deeper explanatory insights into performance differences. Longitudinal or panel data designs are also encouraged to examine the dynamic and long-term effects of Balanced Scorecard implementation. Finally, the use of advanced analytical techniques such as Structural Equation Modeling (SEM),

Hierarchical Linear Modeling (HLM), or panel econometric methods is recommended to enhance methodological rigor and strengthen causal inference.

Conflict of Interest

The researcher declared that there was no conflict of interest regarding the conduct, analysis, interpretation, and presentation of the research study.

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