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## ISSUES OF EVALUATING THE EFFECTIVENESS OF COMMERCIAL BANKS

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**ABSTRACT:** In this paper, it has been studied the issues of evaluating the effectiveness of commercial banks in our country. Therefore, this article has been pursued under the importance of evaluation of the effectiveness of commercial banks in competition between banks in the interbank market. So, during writing this article financial reports of Central Bank and commercial banks in Uzbekistan and other resources are analyzed, and end of the paper has been given some suggestion and recommendations.

**Keywords:** Bank, effectiveness, effectiveness of commercial banks, evaluation of the effectiveness, financial indicators of banks.

### Introduction

At present, some stabilization and moderate gradual development are noted in the development of the banking system. In general, banking is subject to many risks of a different nature, which are important to consider. In the modern economy, commercial banks carry out credit, settlement, deposit and other operations, enter into relationships with each other and with economic entities, that is, they perform various functions. The basis for making managerial decisions, working out a development strategy for the bank's activities is the analysis of the effectiveness of its state. The above emphasizes the relevance of the selected research topic.

Evaluating the performance of commercial banks is a difficult task. Solving it requires the skills of an analyst and the ability to develop a methodology, since there is no universally recognized concept of effectiveness and there is no standard development of indicators for assessing performance.

### Method

The article provides a systematic analysis of the literature in the study of the effectiveness of

commercial banks. Also, the scientific conclusions of the research work carried out by foreign and local scientists in this area were studied and independent approaches were formed.

### Analysis and Results

It is possible to assess the effectiveness of a bank from different positions, for example, in terms of the volume of bank operations. For a dynamically developing bank, the average volumes of transactions should increase evenly, without jumps, their presence may indicate that the bank is carrying out too large transactions or has sufficiently large clients, and this, in turn, increases the level of risk. Loss of customers, the curtailment of activities is evidenced by the reduction in the balance sheet currency.

When analyzing the economic situation, results and efficiency of a commercial bank, special attention is paid to the study of the bank's balance sheet. The analysis can be carried out by interested users. For the regulator, important information is the legality of operations, compliance with mandatory standards, depositors are interested in the distribution of financial flows, the availability of liquid assets, borrowers are interested in the bank's loan portfolio, partners - in the competitiveness and efficiency of the bank, supervisors - are there any violations in the bank's activities. The shareholders, founders, owners, the bank's management are interested in the financial result, what percentage they can get on the funds invested in the created bank. In addition to the balance sheet, the statement of financial results is analyzed.

**Table 1**

### The essence of the concept of "efficiency"

Source	Definition
Economy. Dictionary. - M.: "INFRA-M", Publishing house "Ves Mir". J. Black. General edition: Doctor of Economics Osadchaya I. M. 2000.[1]	Achievement of any certain results with the lowest possible costs or obtaining the maximum possible volume of products from a given amount of resources.
Business. Dictionary. - M.: "INFRA-M", Publishing house "Ves Mir". Graham Betts, Barry Braindley, p. Williams et al. General editorship: Dr. Sc. Osadchaya I. M. 1998. [2]	Economic efficiency. A measure of an organization's ability to produce and market its products at the lowest possible cost.
Economic and mathematical dictionary: Dictionary of modern economic science. - M.: Business. L.I. Lopatnikov. 2003. [3]	One of the most general economic concepts, which do not seem to have a single generally accepted definition. In our opinion, this is one of the possible (the most important, but not the only!)
Financial Dictionary Finam.	Efficiency - in macroeconomic analysis - an indicator of the output of goods and services in the calculation: - per unit of cost; or - per unit of spent capital; or - per unit of total costs of all production resources.
Annotated dictionary of the Uzbek language. Edited by A.Madvaliev (2006-2008) [4].	Efficiency is being effective, being useful.

Balance sheet data and the statement of financial results are necessary to determine the efficiency of banking activities, but not sufficient for making management decisions in the context of improving the efficiency of a commercial bank. Balance sheet data should be processed in order to identify areas for improving the efficiency of the bank.

Table 2

**Information on relative indicators of banking system[5]**

№	Bank name	April 1, 2020				April 1, 2021			
		Assets	Liabilities	Loans	Deposits	Assets	Liabilities	Loans	Deposits
	<i>Total</i>	288 396	235 067	221 934	89 751	371 351	310 733	283 485	115 088
	<i>Banks with State ownership</i>	245 396	199 249	195 884	65 262	314 231	264 225	249 303	83 163
	<i>Other banks</i>	43 001	35 818	26 050	24 490	57 120	46 509	34 182	31 925

Balance analysis can be divided into three stages: preliminary, operational and final. At the initial stage of the analysis, the bank's resources and the possibility of providing loans are preliminary estimated. Operational analysis allows you to track compliance with standards and other indicators. The final stage of the analysis serves to determine the final financial result, identify reserves for increasing profitability and efficiency of banking.

Theoretical issues of assessing the effectiveness of banking in particular and financial analysis in general remain insufficiently developed to date, namely, their place and role as a control element are not clearly defined.

Let's take a closer look at what the concept of efficiency. In modern economic literature, there are many interpretations of the concept of "efficiency" (Table 1).

Thus, there are two main approaches to defining the concept of "efficiency": 1. efficiency as a ratio of the costs of resources and the results obtained from the use of these resources; 2. efficiency as a socio-economic category, reflecting the influence of the mechanisms of organizing the labor of participants in the process on the level of results achieved by them.

In the practice of analyzing the performance of banks, the first approach is usually used. Accordingly, the efficiency of banking or the banking system as a whole is determined based on the correspondence of the values of the indicators for evaluating the activities of each bank (for example, costs, profits, etc.) to some predetermined efficiency parameter.

To assess the effectiveness of most management decisions, financial indicators are used, therefore, financial analysis is one of the main conditions for ensuring the quality and effectiveness of management decisions.

One of the methods for assessing the financial condition of a commercial bank is coefficient analysis, which allows you to determine the position of the bank in the financial sector, the main directions of its activities and to assess the economic situation of the credit institution. The indicators of the bank's financial condition take into account the values of the liquidity ratios, financial stability, profitability, and the quality of funds allocation. The analysis of the effectiveness of the activities of

commercial banks is carried out by various statistical methods and methods. Due to the ambiguity of the concept of the effectiveness of a commercial bank, there is currently no unified classification of methods for analyzing the effectiveness of a credit institution. According to R. Bashirov, the existing methods of analyzing banking efficiency can be synthesized into two groups: the approach using financial indicators, generally accepted for assessing the performance of a commercial bank, and the econometric approach, which is used mainly in scientific research, but is little applied in practice. activities of credit institutions [6].

### Conclusion

As a result of the study, the following conclusions can be drawn: firstly, the effectiveness of banking activities is determined based on the correspondence of the values of indicators for evaluating the activities of each bank to a certain predetermined efficiency parameter; secondly, financial analysis is one of the main conditions for ensuring the quality and effectiveness of management decisions; thirdly, the purpose of financial analysis is to assess the financial condition of a commercial bank on the basis of reliable information, to determine financial stability, financial results, liquidity of the commercial bank's balance sheet, and the bank's solvency; fourthly, the list of performance indicators depends on many facts.

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