



## IMPROVING BANK EFFICIENCY ASSESSMENT INDICATORS

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Article history:	Abstract:
<b>Received:</b> 20 <sup>th</sup> June 2024 <b>Accepted:</b> 11 <sup>th</sup> July 2024	<i>In this article, todays' banking problems are shown. Moreover, the bank's efficiency and the improvement of the indicators in its evaluation are presented. In addition, conclusions and recommendations are given accordingly.</i>
<b>Keywords:</b> <i>Market economy, social sector, banking, credit, commodity, money, economy</i>	

### INTRODUCTION

Today, the need to improve the concept of state regulation of the market economy, including the banking sector, is objectively emphasized. The current system is developing under extraordinary conditions, destroying outdated economic and social relations. Today, the activity of the banking sector can be included among the most important priorities of the development of any state. Effective functioning of this sector determines the entire economic development sector. Due to the changes taking place in the world economy, fundamental changes are taking place in the activity of the banking segment. In recent years, the achievement of stable rates of macroeconomic growth in our country ensured an increase in the volume of loans allocated to entities operating in economic sectors in order to cover their need for financial resources.

The banking system is an important and integral part of the market economy. The large-scale development of commodity-money relations opens up opportunities for banks to perform new operations.

Therefore, it is necessary to create a modern banking system in our republic that meets the requirements of the market economy. The main goal of the banking system of the Republic of Uzbekistan is to have a developed national credit system that is in line with world demand, to attract the idle funds of farms and the population and to create a basis for meeting the demands of the population and to create living conditions based on its effective distribution. is to achieve improvement. In order to ensure the achievement of this goal, our state must ensure the

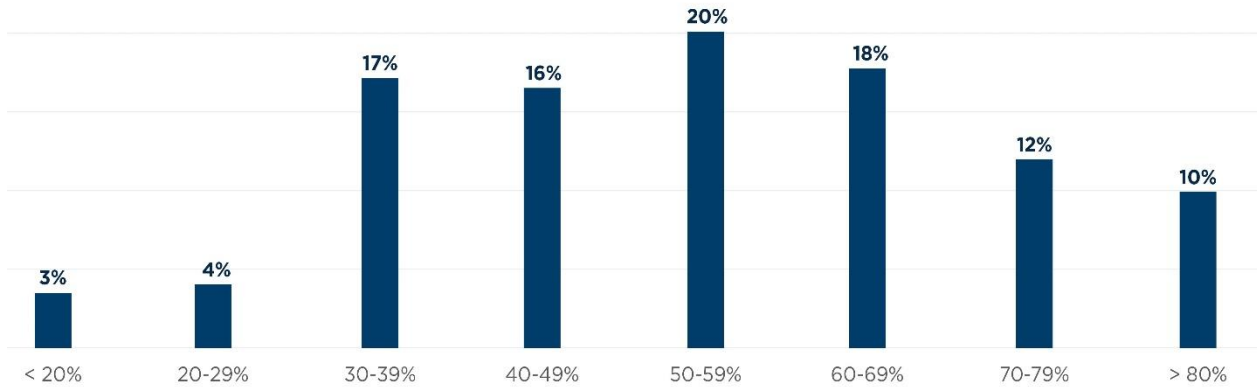
necessary macroeconomic conditions that ensure the development of the banking sector of our country and the stability of the banking system, as well as improve the banking control system and the methods of managing the activities of banks, achieve further development of deposit, credit, and investment activities of banks, and banks It is planned to implement measures such as creating a basis for ensuring competition between non-banking organizations, improving the legal basis of the financial and credit sector, and achieving their material and technical efficiency.

Assets and capital profitability coefficients appear as the main indicators used in the analysis and evaluation of the financial stability of the banking system. From the above data, we can see the financial stability of the banking system of our country, according to which the return on assets in 2021 was 1.3 percent, and decreased by almost 1 percentage point compared to 2020.

implementation of effective measures to develop the activity of commercial banks, in particular, represents the need to direct bank resources to areas with high income. We noted above that the effectiveness of banks and its analysis is a very comprehensive concept. Therefore, the effectiveness of the bank's activity depends on the outcome of any economic and political relations related to the bank. Factors such as the base of regulatory legal documents issued in the banking sector, the introduction of information technology, also affect the efficiency of banking activity.



What is your desired target efficiency ratio?



\*Bars represent % of respondents

**Figure1. Target efficiency ratios.**

Above in fig.1 it is given targets of efficiency ratios. First of all, the efficiency ratio is typically used to analyze how well a company uses its assets and liabilities internally. An efficiency ratio can calculate the turnover of receivables, the repayment of liabilities, the quantity and usage of equity, and the general use of inventory and machinery. This ratio can also be used to track and analyze the performance of commercial and investment banks.

### METHODOLOGY

Improving bank efficiency assessment indicators involves refining the metrics and standards used to evaluate a bank's performance and operational efficiency. Here are some potential strategies:

1. Enhancing Key Performance Indicators (KPIs):
  - Develop more comprehensive KPIs that reflect both financial and non-financial performance, such as customer satisfaction and employee engagement.
  - Incorporate advanced metrics like Return on Equity (ROE), Return on Assets (ROA), Cost-to-Income Ratio, and Net Interest Margin to gain a fuller understanding of efficiency.
2. Utilizing Technology:
  - Implement advanced data analytics to track performance indicators in real-time, allowing for quicker responses to inefficiencies.
  - Leverage automation to reduce manual processes and improve transaction speed and accuracy.
3. Benchmarking:
  - Compare performance against industry standards or best-performing banks to identify areas for improvement.
  - Use peer analysis to understand competitive positioning and operational efficiency.

4. Focus on Risk Management:
    - Assess how well risk management practices contribute to overall efficiency, considering factors such as credit risk, operational risk, and liquidity risk.
    - Integrate risk-adjusted performance measures into efficiency assessments.
  5. Customer-Oriented Metrics:
    - Include indicators reflecting customer experience and retention, such as Net Promoter Score (NPS) and Customer Acquisition Cost (CAC).
    - Evaluate how efficiently a bank serves its customers and responds to their needs.
  6. Sustainability and Social Responsibility:
    - Integrate sustainability indicators that reflect the bank's commitment to social and environmental responsibility.
    - Measure the impact of socially responsible investments and community engagement on overall efficiency.
  7. Training and Development:
    - Invest in employee training programs to enhance skills and productivity, which can lead to improved operational efficiency.
    - Monitor staff turnover rates and employee satisfaction as indirect indicators of efficiency.
  8. Feedback Loops:
    - Establish mechanisms for regular feedback from employees and customers to continually refine performance indicators.
    - Use insights gained from feedback to inform and adjust evaluation processes.
- By refining these indicators, banks can achieve a more holistic assessment of their efficiency, enabling better strategic decisions and improved overall performance.



## RESULT

At the same time, as a result of the reforms implemented in the banking system, despite the introduction of free market mechanisms for providing services in the banking system, the expansion of service types, the widespread use of information technologies, and a number of other achievements, there are still a number of second-class problems in our banking system. We consider the second category itself in three directions:

The first direction. The first and most pressing of the second category of problems is poor customer relations. If we take into account that the positive attitude of customers towards the bank is fading day by day, it is expected that this will have a negative effect on the activity of banks.

The second direction. Among the problems of the second category, the main place is occupied by problems related to loans of commercial banks.

- the fact that commercial banks still have a centralized practice in making decisions on granting loans to customers leads to a number of misunderstandings between the bank's upper and lower levels of responsibility and responsibilities;

- unclear and inconvenient mechanisms of review of loan applications prevent quick provision of financial resources. As a result, customers have problems with timely replenishment of working capital, which negatively affects their activity and leads to a decrease in trust in commercial banks;

- the presence of commission fees for reviewing and allocating loans increases the real value of the loan. This leads to a decrease in the customer's demand for these loans and, in turn, to a decrease in the bank's profit;

- It is known that the demand for microloans is high among the general population. But the fact that our banks do not have the possibility to allocate microloans cannot ensure an increase in the level of microloans. Pawnshops and microcredit organizations, which are non-bank credit organizations providing microloans, set high rates for microloans as a premium. The inactive activity of commercial banks in this environment leads to the negative perception of customers about them and also to the fact that they do not have any real income that may come.

The third direction. The third type of problems of the second category is related to plastic cards:

- it is a pity that commercial banks are not providing enough opportunities and understanding to customers regarding plastic cards, and that information technologies are not widely introduced in this field, while our main goal is to curb inflation;

- problems with bank payment cards with foreign currencies. The lack of ATMs and service centers dealing with international cards in foreign currency and the presence of some restrictions on foreign currency in the country means that the country's banking system does not operate according to modern requirements.

The fourth direction. There are the following problems in this direction:

- ethics of bank employees. Unfortunately, today most of the bank employees lack the skills to work with customers.

- insufficient financial and moral support of bank employees. The root of the above problem is related to the lack of material and spiritual incentives. When a bank employee does not have enough financial support, he is interested in taking bribes, he indulges in dishonesty in working with customers and in fulfilling his other service obligations. This indirectly affects the efficiency of banking activities.

## CONCLUSION

Finding the right solutions to the above problems will lead to strengthening of trust in banks and increase in their efficiency. We present the following solutions to these problems as directions for the future development of the commercial bank.

First of all, it is necessary to solve the problems related to the employees of commercial banks. It is necessary to sharply increase the financial support of the employees of commercial banks. Through this, we will be able to attract the employee's attention only to work by solving a number of financial and moral problems of the employee. This increases the employee's productivity.

Secondly, we need to reshape and develop the ethics of working with clients of an employee who is free from financial problems. In this case, it will be acceptable to get acquainted with the activities of advanced banks. It is appropriate to send employees or organize seminars by inviting them to study their culture of behavior.

As the next third direction, we will include the introduction of modern banking services in the activities of commercial banks. As a result of the rapid development of information and communication technologies and the modernization of the banking and financial sector, the bank is also required to adapt its activities to changes. In this case, we will be able to get out of the framework of today's ordinary banking system and develop only if developed countries thoroughly study the banking systems and introduce the modern technologies available in them and new types of banking products and services.



The fourth direction. At a time when the world economy is covered not by paper money, but by other modern forms (plastic cards, electronic money, etc.), our banking system still tries to keep the M2 aggregate high.

In order to widely introduce the practice of plastic cards in the republic, we need to do the following:

- increasing the provision of terminals to trade branches;
- increase the number of ATMs giving cash, but do not forget about the maximum limits. It should be set at 5,000,000 soums per person. Marking above this amount will overstate the amount of cash;
- establishment of trade centers and ATMs that can work with foreign currency in order to develop tourism in the country and increase the import of foreign national currencies.

By carrying out these activities, the picture of money circulation in the country will increase, which in turn will have a positive effect on the economy. At the same time, there is an increase in the activity of banks. An increase in foreign exchange not only helps the efficiency of banking, but also increases the country's reserves.

The fifth final direction is related to loans. Loans are the main income of these banks. It is for this reason that increasing the volume of well-classified loans increases its efficiency. For this purpose, the commercial bank should perform the following actions:

It is necessary to make the process of submitting a document for a loan and studying it electronically. Because today, the credit documents submitted by ordinary people remain in the main bank for several months without being studied. It is being studied in case of contacting the President's reception or hotline. This leads to a decrease in their productivity. Electronicization and tracking will completely eliminate the above problems as well as evils such as corruption.

In our opinion, it is necessary to stop the monitoring of preferential loans. When the guarantors comply with all the conditions when the citizen fully submits all the documents required for the loan, we should stop the monitoring. Because the citizen who received the loan will use it to have a stable financial situation in the future. The loan is for three years

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