

5/2023,  
sentabr-  
oktabr  
(№ 00067)



## EVALUATION OF A COMMERCIAL BANK'S COMPETITIVE STRATEGY

**Yuldasheva Sevara Shukhrat kizi**

*Doctoral student of Tashkent State University of Economics.*

[sevarayu95@gmail.com](mailto:sevarayu95@gmail.com)

**DOI:** [https://doi.org/10.55439/EIT/vol11\\_iss5/a3](https://doi.org/10.55439/EIT/vol11_iss5/a3)

### **Abstract**

The article attempts to analyze the indicators of capital adequacy of a commercial bank, the quality of liabilities and assets, the volume of assets weighted with risk, the analysis of liquidity indicators, reliability of a commercial bank according to the methodology of V.S. Kromonov. The joint-stock commercial bank "Alokabank", operating in the territory of the Republic of Uzbekistan, was chosen as the object of the study. The author's improved methodological approach to assessing the competitiveness of a commercial bank was tested, for which indicators of the use of financial, operational, marketing and personnel potential were calculated for Microcredit Bank, Aloka Bank and Hamkor Bank, and competitive strategies of commercial banks were evaluated. Based on the conducted research, factors were identified and proposals were developed that contribute to improving the competitiveness of commercial banks in Uzbekistan.

**Keywords:** banking system, competitiveness of a commercial bank, liquidity, financial stability, risk-weighted assets of the bank, development priorities.

### **Introduction**

In modern economic conditions, the sustainable development of the state, the expansion of the economic sector and the achievement of a high-quality standard of living of the population are not possible without the effective functioning of the financial sector, which is the most important sector that ensures the vital activity of all sectors of the economy. The role of commercial banks as a driving force for the development of the financial sector in the age of progress in science and technology has increased significantly and continues to grow rapidly. International studies prove that the need for financial resources in the world is increasing every year. It is known that the global surplus of the global banking system in 2022 increased by 53.7% to 1.44 trillion USD. The aggregate capital index of the first level of 1000 largest banks on the planet in 2022 for the first time reached 10.38 trillion USD. This is an absolute record in history and 4.7% more than in 2021 [1]. The banking system acts as the basis of the modern financial system, increasing the competitiveness of commercial banks becomes an element of national security and in many countries is defined as a key task of state financial policy.

### **Methodology**

The article uses methods of logical analysis, comparative analysis, vertical and horizontal analysis, coefficient analysis, the Kromonov method, etc.

### **Results**

We will evaluate the effectiveness of the commercial bank's competitive strategy in the following areas: analysis of liquidity, capital adequacy, quality of liabilities and assets, financial stability, market share.

To determine the liquidity and solvency of the bank, we will group the bank's assets, weighted with the risk of their losses. Risk-weighted assets are defined as follows:

$$Ar = Ao \times Kr, (1)$$

Where Ar are assets weighted taking into account the risk of their losses; Ao are assets for individual operations; Kr is the risk coefficient.

**Table 1**

**The volume of assets of Alokabank in 2020-2022, weighted with risk, billion sum [2]**

Indicators	Degree of risk, %	2020	2021	2022
Cash and cash equivalents	2	721,2	1 944,1	3 109,2
Reserves on accounts with the Central Bank	0	0	0	0
Financial assets at fair value through profit and loss accounts	0	24,4	17,8	29,5
Funds in banks	0	297,8	424	558,2
Loans and advances to customers	20	4 739,0	6 711,6	8 172,3
Investments in debt securities	20	303,9	328,5	371,0
Investments in associated companies	100	0	0	0
Fixed assets	0	650,1	1 076,5	1 342,9
Other financial assets	100	0	0	0
Other non-financial assets	100	0	0	0
<b>Total assets</b>		<b>6 736,4</b>	<b>10 502,5</b>	<b>13 583,0</b>

Grouping of assets of a commercial bank according to the degree of risk of their investments and possible loss of part of the value is used to calculate the bank's capital adequacy indicators.

**Table 2**

**Indicators of capital adequacy, quality of liabilities and assets of Alokabank in 2020-2022, % [2]**

Indicators		2020	2021	2022	Standard
Capital adequacy ratio ( $H_1$ )		21,8	15,0	13,2	10
Quality of liabilities	Customer base ratio	94,7	94,0	91,8	80
	The coefficient of stability of the resource base	77,1	81,4	80,5	70
Asset quality	Asset utilization efficiency ratio	70,4	61,4	57,0	65

As can be seen from the calculations in Table 2, the capital adequacy ratio is 1.5-2 times higher than the regulatory value, that is, the bank's equity capital comparatively exceeds the volume of risk-weighted assets, which may mean a relatively low-risk exposure of the bank's assets. However, the dynamics of a decrease in the bank's capital adequacy ratio is noticeable.

The customer base ratio reflects the share of deposits of individuals and corporate clients in the total volume of loans. It is also above the norm.

The coefficient of stability of the resource base is significantly higher than the normative value and tends to grow. This means that demand obligations, that is, obligations that can be claimed on any day, are very insignificant, which indicates the stability of the resource base.

The asset utilization efficiency coefficient at the beginning of the study period was higher than the standard one, which indicates a significant share of assets that bring income to the bank. However, according to the results of the 2022 fiscal year, there is a significant decrease in the level of asset efficiency.

We will calculate the bank's liquidity indicators (due to the lack of data on credit claims with a remaining maturity date of more than 365 or 366 calendar days, we will calculate everything except ( $H_4$ )).

**Table 3**

**Alokabank's liquidity indicators in 2020-2022, % [2]**

Indicators	2020	2021	2022	Standard
Instant liquidity ratio ( $H_2$ )	49,1	97,4	113,9	$\geq 20\%$
Current liquidity ratio ( $H_3$ )	68,9	118,2	133,9	$\geq 70\%$
Total liquidity ratio ( $H_5$ )	13,4	20,2	23,5	$\geq 20\%$

The analysis showed that during the entire period under study, the coefficient  $H_2$  significantly exceeded the regulatory value, that is, the bank strictly observes the terms of attracting depositors' funds and the terms of placing these funds in active operations. The current liquidity ratio of Alokabank at the end of 2022 is also higher than the norm, which means the bank's ability to ensure timely fulfilment of its obligations on current liabilities in the medium term. On the other hand, inflated values of instant and current liquidity may indicate inefficient management of the bank's balance sheet assets and liabilities, insufficient attraction of additional funds, the purpose of which is to increase income and leads to increased financial stability.

The value  $H_5$  characterizes the share of liquid assets in the total amount of assets, i.e. the qualitative side of the placement of funds. The increase in the value of the  $H_5$  coefficient in 2022 compared to 2020-2021 indicates that Alokabank's liquidity is growing, that is, the ability to pay off its debt obligations on time.

We will analyze the financial stability and reliability of AK "Alokabank" according to the methodology of V.S. Kromonov [3].

As you know, in order to apply the methodology of V.S. Kromonov, a credit institution must be large enough and universal. In addition, the ratio of the bank's equity and total liabilities should have a value of no more than 1, which means that the attracted funds of the bank should not be less than the funds of shareholders. There is another important condition that must be met for the application of the Kromonov methodology - the bank must have a sufficiently stable balance sheet structure [4].

The equity capital of Alokabank at the end of 2022 reached almost 16.1 trillion sum, it is a universal bank. However, the attracted funds (liabilities) are eight times more than the bank's own capital, that is, the bank under study conditionally approaches institutions to which V.S. Kromonov's methodology can be applied.

**Table 3**

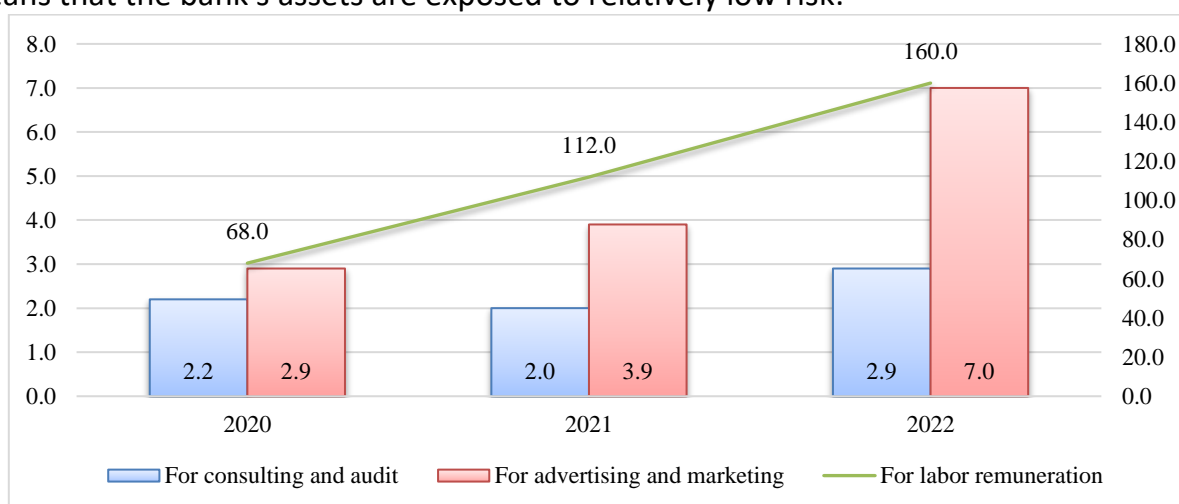
**Reliability analysis of Alokabank JSC according to V.S. Kromonov's methodology in 2020-2022, %[2]**

Indicators	2020	2021	2022
General reliability coefficient (K1)	0,26	0,20	0,20
Instant liquidity coefficient (K2)	0,49	0,97	1,14
Cross-coefficient (K3)	1,18	1,41	1,56
General Liquidity Ratio (K4)	0,15	0,22	0,26
Capital security coefficient (K5)	0,55	1,05	1,62
Profit stock capitalization coefficient (K6)	1,53	1,64	1,87
Reliability index (N)	32,90	44,57	51,91

In accordance with the Kromonov methodology, the reliability index of an ideal bank is taken as 100%. This indicator for Alokabank is in the range from 33 to 52%, which is significantly (2-3 times) lower than the indicators of an ideal bank, however, it should be noted that there is a tendency to increase the reliability coefficient in dynamics.

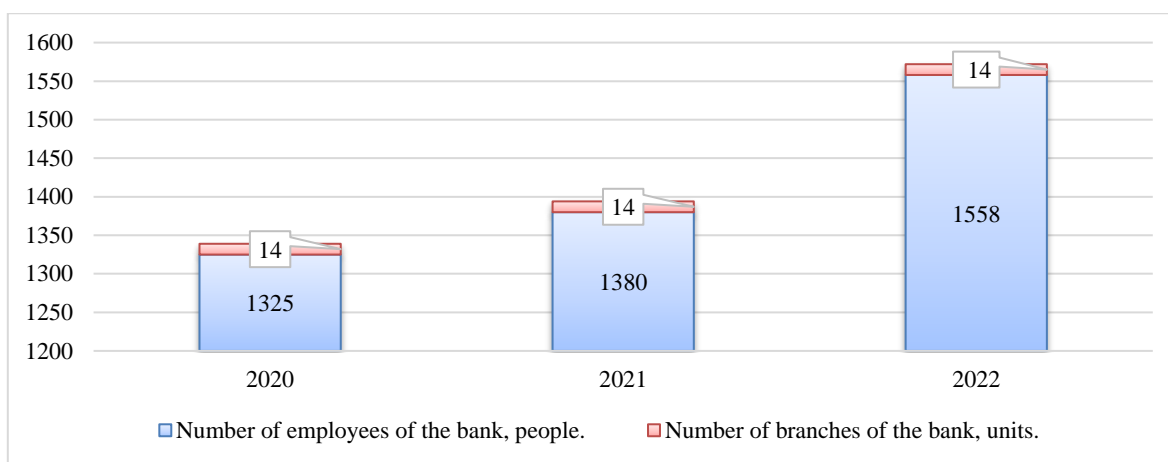
The financial condition of Alokabank as a whole is characterized ambiguously. On the one hand, the bank's equity capital has grown significantly over the years, at the end of 2022, compared to the same period in 2020, it increased by 14% or by 227 million soums. The majority of the bank's own funds (about 53.5%) is held by the authorized capital, almost 13% is retained earnings, which at the end of 2022 amounted to more than 229 billion. sum, which is 263 billion soums less than in 2020. The authorized capital of the bank did not grow during the analyzed period and remained at the level of 960 billion soums. All this positively characterizes the financial and credit activities of the bank, as it indicates its further development.

The capital adequacy ratio is 1.5-2 times higher than the regulatory value, that is, the bank's equity capital comparatively exceeds the volume of risk-weighted assets, which means that the bank's assets are exposed to relatively low risk.



**Fig. 1 Expenses of Alokabank, 2020-2022, billion sum [2]**

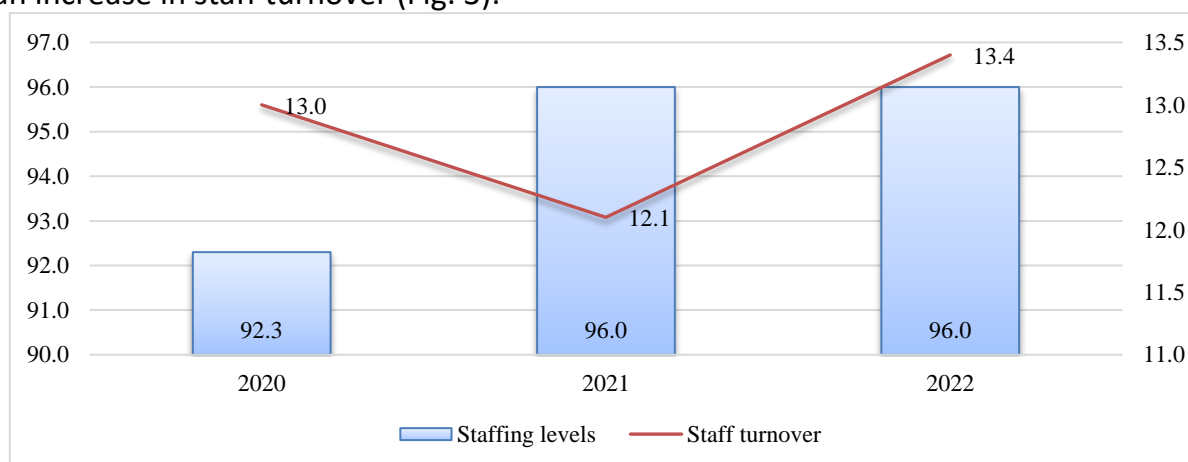
During the study period, Alokabank's expenses for marketing research and labor remuneration had a steady upward trend (Fig. 2), which indicates positive changes in the bank's activities, since the allocated allocations are usually directly proportional to the number of new customers attracted and retention of existing ones.



**Fig. 2 Number of employees and branches of Alokabank, 2020-2022 [2]**

The analysis of labor costs allowed us to conclude that with an increase in the number of employees by almost 18%, wages increased almost twofold. It should be noted that the significant growth of the bank's FOT is accompanied by an increase in net profit and key performance indicators of the bank, which was shown above.

The personnel of the Alokabank JSCB is staffed by 96%, while at the end of 2022 there is an increase in staff turnover (Fig. 3).

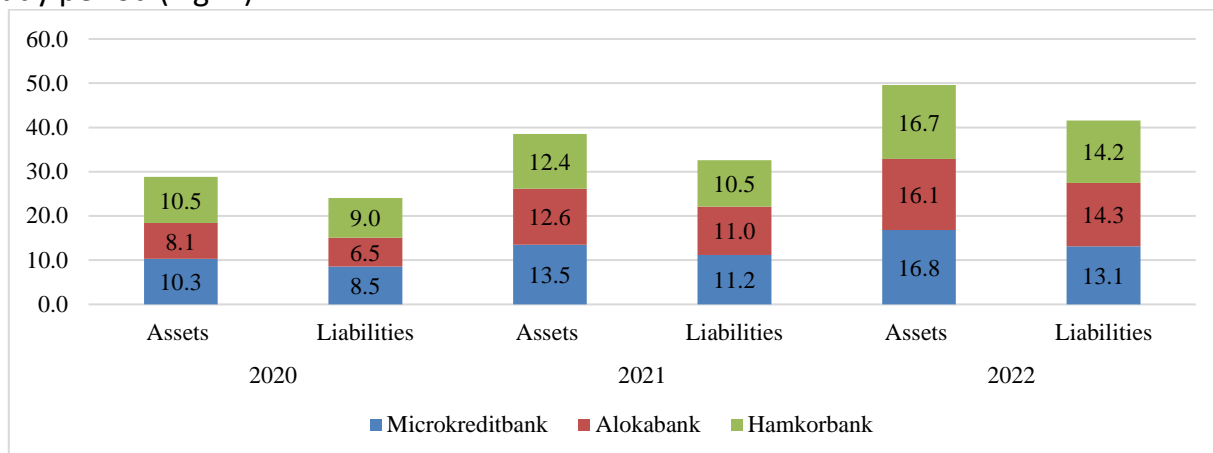


**Fig. 3 Personnel potential of Alokabank, 2020-2022, % [2]**

In order to determine the level of competitiveness and quality of the competitive strategy of the commercial bank under study, we will conduct a comparative analysis of the activities of Alokabank, Microcredit Bank (refers to banks with a state share, as of 1.07.2023, the state share is 98.3%, including: the Fund for Reconstruction and Development of the Republic of Uzbekistan - 45.5%, the Ministry of Economy and Finance of the Republic of Uzbekistan - 52.8%) and Hamkor Bank (refers to private banks, as of 1.07.2023 the share of individuals is 60.75%, legal entities - 39.25%, including 14.55% - the share of the Dutch Development Bank (FMO), 7.28% - the share of the International Finance Corporation (IFC)).

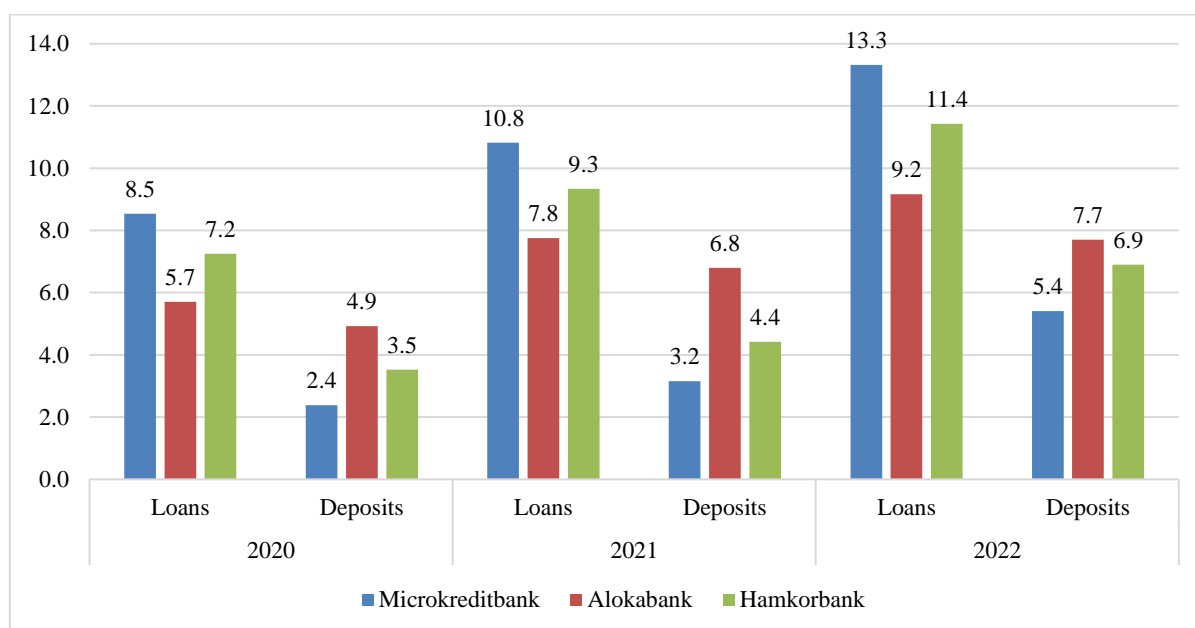
The assets of the above-mentioned banks in 2020-2022 had a stable growth trend, taking a value in the range of 8-16 trillion. sum, the obligations took the value from 6 to 14 trillion soums. The ratio of assets to liabilities of Microcredit Bank varied from 121.2% in 2020 to 128.2% in 2022, Alokabank - from 124.6% in 2020 to 112.6% in 2022, Khamkorkbank - from 116.7% in 2020 to 117.6% in 2022, confirming the fact that among the selected credit institutions the most liquid Khamkorkbank is the least liquid, Alokabank is the least liquid,

Microcredit Bank occupies an intermediate position. At the same time, there is a tendency to increase the liquidity of Alokabank and, conversely, decrease the liquidity of Microcredit Bank. Khamkorbank's liquidity indicators assumed an almost unchanged value during the study period (Fig. 4).



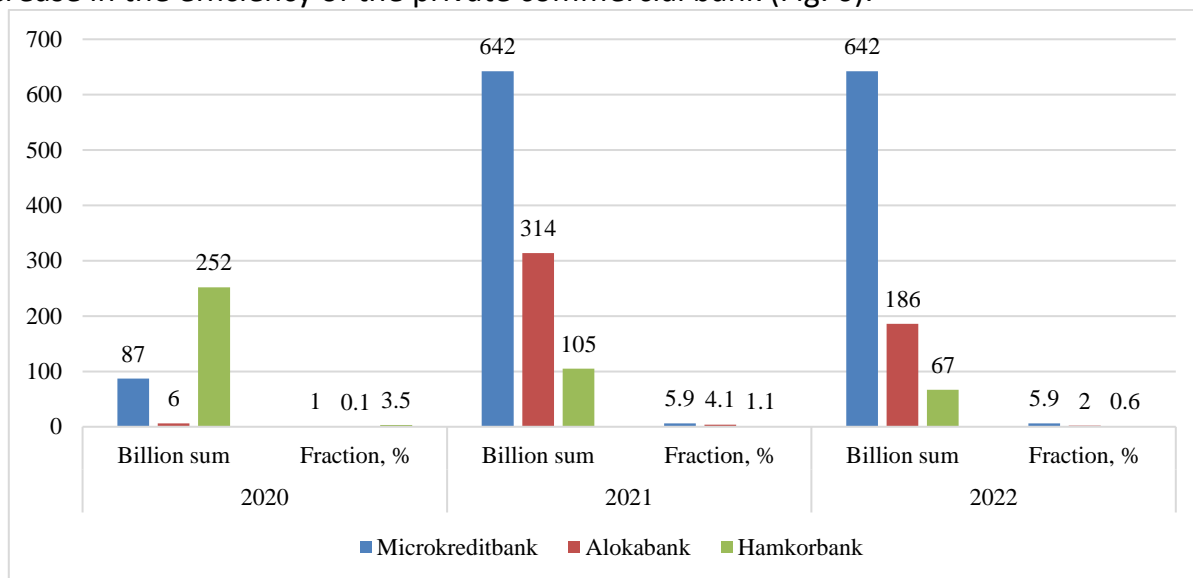
**Fig. 4 Assets and liabilities of Microcredit Bank, Alokabank and Khamkorbank in 2020-2022, trillion. sum [6]**

The largest volumes of loans fall to the share of Microcredit Bank (from 8.5 to 13.3 trillion. sum), the smallest for the share of Alokabank (from 5.7 to 9.2 trillion. sum). In terms of deposits, the situation is reversed - the largest volumes of deposits were attracted by Alokabank (from 4.9 to 7.7 trillion. sum), the smallest - Microcreditbank (from 2.4 to 5.4 trillion. sum). The ratio of loans and deposits of Microcredit Bank varied from 354.2% in 2020 to 246.3% in 2022, Alokabank - from 116.3% in 2020 to 119.5% in 2022, Khamkorbank - from 205.7% in 2020. up to 165.2% in 2022, confirming the fact that among the selected commercial banks, the largest share of active transactions is in Microcredit Bank, the smallest is in Alokabank. At the same time, the share of active operations of Microcreditbank and Hamkorbank during the study period had a significant downward trend (Fig. 5).



**Fig. 5 Loans and deposits of Microcreditbank, Aloka Bank and Hamkor Bank in 2020-2022, trln. sum [6]**

Indicators of the volume and proportion of problem loans are important in assessing the effectiveness of a commercial bank. The greatest importance of the volume of problem loans is observed in Microcredit Bank with more than sevenfold growth in 2022 compared to 2020. Alokabank has not so significant volumes of NPL, but their share is growing (from 0.1% in 2020 to 2% in 2022). In Khamkorbank, a significant decrease in the so-called non-performing loans is noticeable as in absolute (252 billion sum in 2020 and 67 billion sum in 2022), and in relative terms (from 3.5% in 2020 up to 0.6% in 2022), which confirms the increase in the efficiency of the private commercial bank (Fig. 6).



**Fig. 6 Problem loans of Microcreditbank, Aloka Bank and Hamkor Bank in 2020-2022 [6]**

Analysis. We will test the author's improved methodological approach to assessing the competitiveness of a commercial bank, for which we will calculate indicators for the use of financial, operational, marketing and personnel potential for Microcredit Bank, Aloka Bank and Hamkor Bank. Then we will bring the obtained values to a comparable form and sum them up, thereby obtaining separate subindexes of a subgroup of indicators and an integral indicator for assessing the competitiveness of a commercial bank (Table 4). The indicator of the proportion of problem loans in the bank's loan portfolio and the staff turnover rate will be taken with a negative sign (Table 4).

Thus, we found that the bank with the least state participation - Hamkor Bank - turned out to be the most competitive. It turned out that the least competitive is the Micro-credit of the bank Alokabank occupies an intermediate value between the two above-mentioned banks.

**Table 4  
Assessment of the Competitiveness of Microcredit Bank, Aloka Bank and Hamkor Bank, 2022 [6]**

	Microcredit		Aloka Bank		Hamkor Bank	
	Absolute	Comparable	Absolute	Comparable	Absolute	Comparable
<i>Financial indicators</i>						
Net profit growth rates	2,041	1,00	1,960	1,00	1,631	0,68
Return on assets	0,401	0,19	0,014	0,00	2,382	1,00

Return on equity	0,603	0,29	0,127	0,06	0,044	0,00
Overall profitability	0,017	0,00	0,098	0,04	0,935	0,38
<i>Sub-index by group</i>	<i>1,48</i>		<i>1,10</i>		<i>2,06</i>	
<i>Operational indicators</i>						
The share of the bank's capital in the total capital of the banking sector	0,042	0,00	0,036	0,00	0,024	0,00
The share of problem loans in the bank's loan portfolio	5,3	1,00	1,8	1,00	0,6	0,35
Ratio of assets to liabilities	1,28	0,24	1,13	0,62	1,18	0,71
Loan-to-deposit ratio	2,46	0,46	1,19	0,65	1,66	1,00
The growth rate of the number of customers	1,11	0,20	1,25	0,69	1,33	0,80
<i>Sub-index by group</i>	<i>-0,10</i>		<i>0,96</i>		<i>2,15</i>	
<i>Marketing indicators</i>						
Actual average price per loan	19,7	1,00	22,5	1,00	22,0	1,00
Actual average price for deposits	13,8	0,68	16,0	0,69	17,0	0,75
The growth rate of advertising expenses	1,3	0,00	1,8	0,00	2,1	0,00
<i>Sub-index by group</i>	<i>1,68</i>		<i>1,69</i>		<i>1,75</i>	
<i>Indicators of the use of human resources</i>						
Staff turnover rate	15,1	1,00	13,4	1,00	11,3	1,00
Coefficient of personnel training expenses	0,22	0,00	0,20	0,00	0,31	0,00
The coefficient of effective use of working time	н/д	0,00	н/д	0,00	н/д	0,00
Staff education level	0,78	0,04	0,73	0,04	0,85	0,05
<i>Sub-index by group</i>	<i>-0,96</i>		<i>-0,96</i>		<i>-0,95</i>	
<b>Integral indicator of competitiveness</b>	<b>0,52</b>		<b>0,70</b>		<b>1,25</b>	

**Conclusion/Recommendations.** As factors contributing to the competitiveness of commercial banks in Uzbekistan, we can suggest the following:

1. Technological innovation: Banks that actively implement modern technologies and digital solutions can improve the customer experience, provide more efficient transaction processing and offer new products and services, such as mobile applications for online banking, digital wallets and real-time transfers.

2. Customer Service quality: Banks that provide a high level of customer service strive to meet their needs and expectations. This includes an individual approach to clients, prompt response to requests and complaints, as well as the provision of personalized financial recommendations and services.

3. Credit conditions: Banks that offer competitive credit conditions, such as low interest rates, flexible repayment schemes and access to loans for various categories of customers, can attract more borrowers and increase the volume of lending.

4. Investments in data security and protection: With the increasing number of cyber attacks and threats to information security, banks that actively invest in protecting customer data and preventing fraud will have an advantage over competitors. This includes the use of

advanced data encryption technologies, enhanced security measures and employee training.

5. Flexible and effective risk management system: banks that have a competent risk management system can reduce their losses from non-payments and defaults, as well as increase the trust of customers and investors. This includes rigorous analysis of borrowers' creditworthiness, asset portfolio diversification and effective risk monitoring.

6. Cooperation with technology startups and fintech companies: Some banks actively cooperate with technology startups and fintech companies to implement innovations and provide new products and services. This allows banks to be more flexible and react faster to changes in the industry.

7. Cost management and business process rationalization: Banks that seek to reduce costs and improve operational efficiency can provide a competitive advantage. This includes automating repetitive tasks, optimizing the structure of the organization, and using new technologies to reduce costs.

All these factors can strengthen the competitiveness of commercial banks and help them attract and retain more customers, ensuring growth and sustainability in the modern financial industry.

Increasing the competitiveness of commercial banks will ensure Uzbekistan's sustainable economic growth and transition to innovative development. The formation of an effective state policy in the banking sector will ultimately improve the efficiency of the national economy as a whole.

#### **List of used literature**

1. Data of the information and analytical website <http://global-finances.ru/krupneyshie-banki-mira-2022/?ysclid=lcvpr5ew38979112113>

2. Data of JSC "Aloqabank" <https://aloqabank.uz/ru/>

3. Sinichenko O.A. Reliability analysis of the largest banks of the Russian Federation by the method of V.S. Kromonov// RPE. 2019. No.1 (99). pp. 4-7. URL: <https://cyberleninka.ru/>

4. Azarova A.A., Abdurakhmanova M.M. Modern methods of credit portfolio management of a commercial bank// Problems of development of modern society, 2020. – pp. 18-23.

5. Khazratkulova L. N. The role of the application of economic and mathematical methods in the analysis of the financial condition of the enterprise //The potential of modern science. – 2016. – No. 1. – pp. 107-109.

6. Data of the Central Bank of the Republic of Uzbekistan <https://cbu.uz/ru/statistics/>