

THE ROLE OF BANK MANAGEMENT IN THE ASSESSMENT OF EFFICIENCY OF COMMERCIAL BANK'S ACTIVITY

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Abstract: This article discusses issues related to the assessment of the effectiveness of commercial banks. Moreover, based on the results of the analysis of these issues, there are proposals to improve the economic efficiency of the category and its role and importance in the management of banking activities.

Keywords: efficiency, management, bank, banking, banking efficiency, assessment of the effectiveness of banking, macroeconomic efficiency.

1. Introduction

Despite the fact that the issues of ensuring the effectiveness of banking activities are reflected in scientific research of many foreign and our scientists, world and regional conferences, reports and forecasts published by various international organizations and audit companies, uniform approaches and methods for interpreting and eliminating most problems in this direction have not been developed. In particular, on the one hand the specialists of international audit companies EY (Global banking outlook 2018. Pivoting toward an innovation-led strategy) and Deloitte Development LLC. (2018 Banking Outlook. Accelerating the transformation) came to the conclusion that the efficiency of the bank's activities is advisable through the level of organization of banking activities based on innovative digital technologies, on the other hand representatives of Europe including, Bankia, BNP Paribas, Danske Bank, European Commission, European Banking Federation, HSBC, MoneYou, Nordea, RBS, Société Générale noted that the criteria for risk management and regulation of banking activities play a key role in ensuring the effectiveness of banking activities at the conference held on October 17-18, 2017 in Amsterdam.

2. Methodology

While one of the leading Indian scientists, Charan Singh, a professor at the Bangalore Institute of Management, Department of economic and Social Sciences,

recognizes the need for efficiency for the banking system of developing countries to be assessed primarily by the transparency of banking activities in an article entitled "Frauds in the Indian Banking Industry (fraud in the Indian banking system)" and, Wallace Young, head of risk management at the Federal Reserve Bank of San Francisco, and Alex Lightfoot, chief specialist at this department, recognized that there is a problem that the interests of customers are not always ensured due to the receipt of the volume of financial results obtained from the services specified as the main criterion in the assessment, in their article entitled "Banks Are Becoming More Efficient — is That Good or Bad?"

In modern economic education, a number of approaches have developed to the expression of the concept of "efficiency," which are reflected in specific scientific directions or concepts offered by schools of management. Let's consider the economic nature of the concepts and criteria developed by these scientific directions or schools:

- school of scientific management ("management based on tasks" in the interpretation of F. Taylor). The main representatives are F. Taylor, L. Gilbraith, G. Emerson, G. Ford, G. Gant. The essence of the concept proposed by this school is to increase efficiency by finding and practically using the best ways to implement works and tasks. In this case, a lower level of costs and a higher amount of profit are taken as the main criteria for efficiency.

- school of management science and approach to quantitative sciences. The main representatives are D. Forrester, R. Lewis, L. Klein, etc. The efficiency of management activities is determined by the level of application of algorithms for making optimal decisions based on mathematical statistics and quantitative sciences. In this case, the main criterion is the maximization of production and labor (individual) productivity (depending on the established standards).

- school of situational approach in management. The main representatives are Berne, G. Stalker. This implies the development of methods for identifying and influencing the main factors and their features that caused the current (possible) situation with the control efficiency network. As criteria for effectiveness, the degree of determination of significant variables in the situation taken separately and assessment of their impact on the system is taken.

Based on the results of the studies, it can be noted that "efficiency is one of the economic concepts of a general nature and still does not have a generally accepted interpretation." In our opinion, efficiency is one of the most important, but not the only features that reflect the level of quality of a certain economic system. This nature can be considered in terms of the ratio of costs paid and the results obtained. The issue, which is needed of particular attention, refers to what costs are taken into account, as well as what results are taken into account.

In modern conditions, many indicators are offered to assess efficiency, including the effectiveness of banking activities. As the main indicators of this direction, these can be presented: return on assets, return on equity, net interest margin, share of operating costs in the bank's operating income which is based on such private indicators as "Cost to Income Ratio" (SIR) or key performance indicators (KPI) CPM - Corporate Performance Management systems such as Management, BPM - Business Performance can be cited formance Management, EPM- Enterprise Performance Management

It must be recognized that scientists-economists of our country conduct appropriate scientific research on the development and implementation of a system of indicators in the bank's practical activities that assess the direct and indirect effectiveness of the bank's activities (although indicators are not grouped in such order)⁷. Considering this situation, we will not dwell on the issue of the system of indicators in this direction.

3. Conclusion

The following proposals can be recognized to increase the role and value of the "efficiency" category in the development of the activities of commercial banks:

- since "efficiency" is a special economic category, such as cost, credit, it is advisable to form its interpretation within the framework of general economic laws or taking into account the role and significance of general economic laws within the framework of their impact on economic processes. In this case, in our view, any result or effect of economic activity should not go unnoticed that it directly affects other subjects of the economic and social system that do not belong to the economic entity carrying out this activity;
- efficiency should be considered in two ways - economical and social. The first characteristic can be estimated by the ratio between the obtained result and the costs required to achieve it, and the second - by the level of achievement of social parameters.
- Despite the fact that the legislation primarily recognizes that banks are a commercial organization, their responsibility to customers, employees, hamsters and other stakeholders is not limited only to financial issues, it is necessary to pay serious attention to socio-economic responsibility in the global and national economies and sustainable development of society.

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