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THEORETICAL ASPECTS OF EVALUATING THE EFFICIENCY OF A COMMERCIAL BANK

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Currently, not all the issues of financial management in the bank have been worked out by domestic authors in sufficient depth, which is due to the specifics of the commercial bank as the only economic entity that systematically manages all the functions of money.

Introduction. The study of the efficiency of commercial banks is not only a matter of interest but also necessary in the conditions of modern reality. Banks are institutions that accumulate the monetary resources of customers, stimulate economic growth, and increase the overall well-being of the nation. The efficiency of the bank and the banking system as a whole largely determines the potential for economic growth of the country.

The purpose of this research is to study the approaches of different authors to the definition of the concept "efficiency" and the subsequent synthesis of our own concept of "efficiency".

The main part. Commercial banks play a huge role in the functioning of the credit system. They accumulate the main share of credit resources, provide customers with a full range of financial services, including loan granting, deposit taking, settlements, buying, selling and storing securities, foreign currency, etc. [1].

Modern commercial banks are credit organizations that have the exclusive right to collectively attract funds from legal entities and individuals to deposits, make settlements and place funds on their own behalf and at their own expense on the terms of repayment, payment, and urgency [2].

Commercial banks are under the constant supervision of the central bank and other financial institutions. Banking supervision is based on a licensing system and serves as a means of verifying commercial banks ' compliance with laws and regulations. The financial statements of commercial banks are subject to audits by external auditors, and their statements give credibility to the reporting and strengthen confidence in the banking system [3].

Commercial banks pay great attention to the analysis of their activities. In the banking business, the concept of "highly profitable banking" has become widespread with the following principles [4]:

– income maximization – involves maximizing the loan income and income on securities, etc., maintaining a flexible structure of assets adapted to changes in the interest rate;

– cost minimization – involves optimizing the structure of liabilities, minimizing loan losses, controlling current expenses, etc.;

– efficient bank management – is a system of management related to strategic and tactical planning, analysis, regulation, control of the bank's activities, financial management, marketing activities, as well as personnel management, aimed to ensure the efficient performance of a commercial bank.

According to western economists, the stable development of a commercial bank over the long term should ensure the development of the bank's global strategy and strategic goals and objectives for all areas of activity and structural divisions of the bank.

There are many interpretations of the concept "efficiency" in modern scientific literature (table 1).

Table 1. – The authors' approaches to the definition of the concept «efficiency»

S. Moiseev, Yu. Buinov [5]	Maximizing service delivery with specified resources
S. Moiseev, Yu. Buinov [5]	Minimum use of a combination of resources for a given amount of services
K. V. Tolchin [6]	The ratio of costs and resources to the results obtained from their use, as well as the socio-economic category that reflects the influence of the ways of organizing the work of the process participants on the level of results achieved by them
R. Bashirov [7]	The author's concept of the efficiency of commercial banks is related to the categories of income, costs and profits
O. I. Lavrushin [8]	The efficiency of banking activity – is the ability of a credit institution to achieve its goal in accordance with the economic and socio-cultural norms of society
I. V. Klyuev [9]	A polysemantic concept that reflects various aspects of a commercial bank's activities: the ratio of results to costs, goals, needs, and values
M. N. Andryushchenko [10]	The measure of possibility in terms of its proximity to the most appropriate, necessary person (result)
Ya. Zelenevsky [11]	The ratio of the total value of the actual results of the activity to the expected total value of the corresponding goals
Modern Economic Dictionary [12]	An economic category that characterizes the efficiency of production in comparison with production resources and social needs

As a result of the analysis of the approaches outlined in Table 1, these concepts can eventually be brought to two main definitions:

– Efficiency is the ratio of the cost of resources and the results obtained from their use;

– Efficiency is a socio-economic category that shows the influence of the ways of organizing the work of the participants in the process on the results achieved by them.

The assessment of the efficiency of banking activities is most often carried out using the first provision, according to which the efficiency of a bank or banking system is calculated basing on the proximity of the values of the performance indicators of each bank (for example: costs, profits, etc.) to a certain, predetermined efficiency limit.

Thus, the author concludes that the efficiency of a commercial bank is not only the results of its activities, but also an efficient management system based on the formation of a scientifically based strategy of the bank's activities (a system of goals of the bank's activities, ranked by significance and value) and control over the process of its implementation.

Maximizing profits while minimizing costs is the main goal of a commercial bank. Profit or loss received by the bank are the indicators that concentrate the result of various passive and active operations of the bank and reflect the influence of all factors affecting the bank's activities [13].

The profit of a commercial bank is the main financial result of the bank's activities, defined as the difference between all income and expenses. The generation and distribution of profit of a commercial bank is determined by the specifics of banking activities, the turnover of income and expenses of the bank.

In the practice of the bank's activity, several profit indicators are used. The difference between the amount of gross income and the amount of expenses attributed in accordance with the current regulations to the bank's expenses is called the balance sheet or gross profit (loss).

The bank's balance sheet profit is divided as follows:

1) operating profit, defined as the difference between the operating income and expenses;
2) interest income, defined as the excess of interest income received by the bank over interest expenses;
3) commission income, defined as the excess of commission income over commission expenses;
4) profit from operations in the financial markets, defined as the difference between the income and expenses from these operations;
5) other types of profit derived from other activities.

The largest share in profit is operating profit, and percentage profit is the largest share in operating profit [14].

In other words, as an economic category, "efficiency" describes qualitative and quantitative parameters of the performance of activities. Currently, there is a tendency to identify the concept of efficiency with profitability or cost-effectiveness. Although the indicators of profitability and cost-effectiveness are important indicators of the bank's activities, which allow us to assess the bank's performance, however, they do not always objectively reflect information about the level of efficiency of the bank's activities and the ability of the resources invested by the bank to generate income.

Conclusion. Thus, the concept "efficiency" reflects the relation between various aspects of the activity: result and costs, result and goals, result and needs, result and values. Therefore, the criteria for the bank's efficiency can be identified as the financial results of its activities, the performance, the entire set of indicators of the financial condition achieved by the bank in the course of its activities.

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