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PROBLEMS OF BANK PERFORMANCE EVALUATION IN CONDITIONS OF THE CRISIS

The global financial crisis has highlighted the importance of banking systems in the countries and determined its weaknesses and problems. Today banking system of Ukraine has problems in organization's activity, adequate regulation and supervision, necessity of recapitalisation etc. To our view, problems of methodical character are no less important in the conditions of necessity of increase of the national banking system stability.

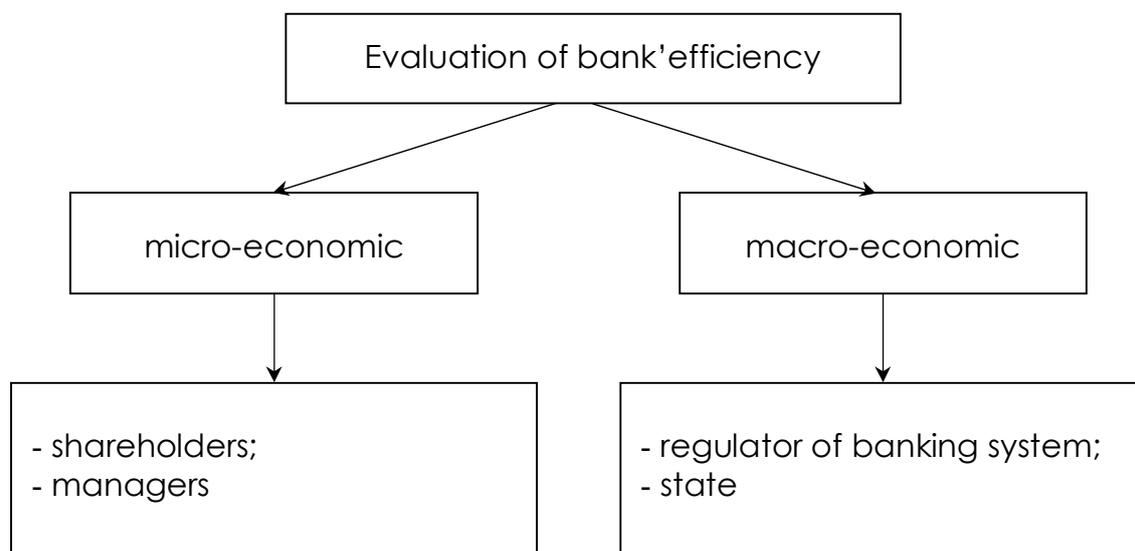
The basic tasks of research were the followings:

- understanding the concept of "bank's efficiency";
- research of the possible approaches of its evaluation;
- basis for the model of bank's efficiency as financial intermediaries evaluation.

Problems of evaluation of bank's efficiency are key questions not only in practice but also in theoretical economic science. Taking into account multidimensionality of the "bank's efficiency" concept in specific literature, it is possible to define two basic determinations:

- a measure relating a quantity or quality of output to the inputs required to produce it;
- accordance of the received results with the given aims.

As a matter of fact, "bank's efficiency" is variable from one subject to another. For this reason we had proposed the following approaches for evaluation:



So, microeconomic approach reflects bank's interests, in particular – shareholders, managers. Banks have devised several ratios to gauge their financial performance, with measures such as Return on Equity or Return on Assets often being quoted in annual reports and analyst statements. The purpose of these ratios is to enable comparisons to be made between different banks or financial groups.

To our view, macroeconomic approach is more important in conditions of crisis and necessity of providing of the economy growth in Ukraine. Exactly from this point of view, the state bank's efficiency means ability to provide transformation of savings for an investment with the least transaction expenses.

For this purpose, we had proposed to use a model, which presents the bank as “black box”, which has inputs and outputs, and production function which is maximizing the output of services at the fixed expenses. The offered model describes the optimization options for every bank and allows to estimate relative efficiency of every bank.

Overall, it is a well-known fact, that the banking system of Ukraine shows a gradual improvement in their efficiency levels during the last seven years. The model used shows that a number of determinants like bank size, industry concentration and the investment environment have a positive impact on bank efficiency.

The paper offers new insights to policy makers on the relevance of a number of driving factors of bank's efficiency that might help them to improve the performance of the banking system and enhance the quality of services provided.