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# EVALUATING BANK PERFORMANCE THROUGH FINANCIAL INDICATORS

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**Abstract**

This article examines the theoretical and practical foundations of assessing bank performance through key financial indicators. Financial metrics such as liquidity, profitability, asset quality, and capital adequacy are essential for determining the resilience, stability, and efficiency of banking institutions. The study also reflects on Uzbekistan's recent banking sector developments, offering international comparisons and scholarly insights.

**Keywords**: Financial performance, banks, liquidity, profitability, ROA, ROE, capital adequacy, banking supervision, risk management.

## Introduction

The performance and stability of banks are crucial for the overall health of a country's economy. To assess bank effectiveness, financial indicators are widely used by investors, regulators, and policymakers. These indicators serve as a measurement framework for evaluating the institution's operational soundness, risk level, and profitability. Scholars such as Frederic S. Mishkin and Rose & Hudgins have long emphasized the role of quantitative metrics in financial intermediation and banking risk assessment.

"Financial ratios provide transparency, accountability, and the basis for supervision and control of banking institutions" — F.S. Mishkin (2016, p. 241).

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| Key Financial Indicators in Bank Evaluation | |
|---|---|
| **Indicator** | **Explanation** |
| Liquidity Ratio | Measures a bank's ability to meet short-term obligations without raising external capital. |
| Return on Assets (ROA) | Net income relative to total assets indicates overall efficiency. |
| Return on Equity (ROE) | Net income relative to shareholder equity; measures profitability. |
| Capital Adequacy Ratio (CAR) | Evaluates a bank's capital strength to absorb losses. |
| Non-performing Loans (NPL) Ratio | Reflects credit risk through the share of loans in default. |
| Cost-to-Income Ratio | Assesses operational efficiency of banking activities. |

The Role of Scholars and Experts

Several leading financial scholars have contributed significantly to the understanding of financial performance evaluation in banks:

- Frederic S. Mishkin highlighted the importance of financial indicators in assessing monetary policy impact and banking soundness.
- Peter S. Rose and Sylvia C. Hudgins proposed that financial metrics must be contextualized within market conditions and regulatory environments.
- Robert DeYoung emphasized cost-efficiency and profitability analysis in assessing comparative advantage among banks.

V. Acharya has extensively studied capital adequacy and systemic risk, asserting that undercapitalized banks pose contagion risks in volatile markets "Profitability ratios are necessary but insufficient to fully assess risk exposures in modern banking systems" — V.V. Acharya (2010, p. 98).

Case Study: Uzbekistan's Banking Sector

Uzbekistan has undertaken substantial banking reforms over the past five years. Key indicators illustrate the sector's transformation:

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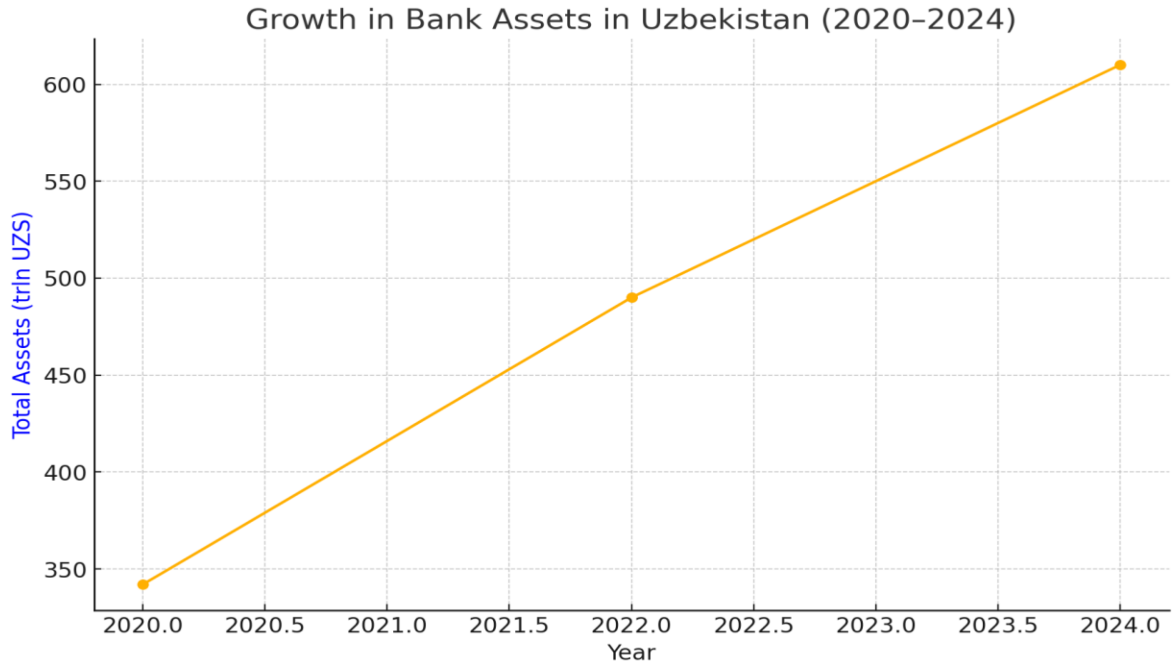
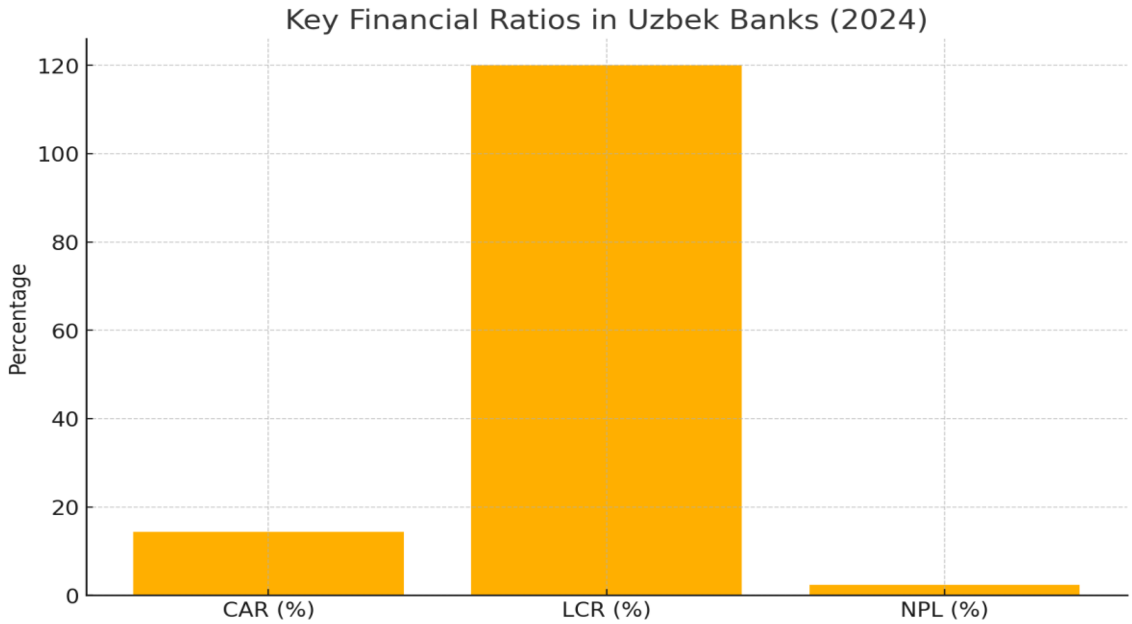



**Figure 1: Growth in Bank Assets in Uzbekistan (2020–2024)**




**Growth in Bank Assets in Uzbekistan (2020–2024).**

This line chart illustrates the steady increase in the total assets held by banks in Uzbekistan over five years. From 2020 to 2024, total bank assets grew from approximately 342 trillion UZS to over 610 trillion UZS, indicating a strong upward trend in the financial sector's expansion. The data reflects the effects of banking reforms, improved capitalization, and growing economic activity in the country.

## Conclusion

Financial indicators are indispensable tools for assessing bank health and long-term sustainability. They allow stakeholders to measure profitability, identify risk exposure, and compare performance across banks and regions. In Uzbekistan, banking sector reforms have yielded measurable improvements in capital strength, operational efficiency, and liquidity. However, challenges remain, particularly regarding the quality of loan portfolios, foreign exchange exposure, and technological resilience. Continuing to apply international best practices, enhancing risk governance, and integrating scholarly frameworks into banking policy will be vital for the system's stability and global competitiveness.

"Only through continuous monitoring and integration of financial metrics can banks ensure transparency, solvency, and efficiency in a globalized environment." — Rose & Hudgins (2013, p. 525)

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