# EVALUATION OF THE ACTIVITY OF COMMERCIAL BANKS FROM THE CUSTOMER'S POINT OF VIEW

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## ABSTRACT
*The article emphasizes the scientific and theoretical characteristics of evaluating the effectiveness of marketing activities of commercial banks. A methodological approach to assessing the activities of commercial banks from the customer's point of view is proposed. The influence of the types of services offered by the bank on the development of customer relations in commercial banks was assessed. Based on the results obtained, the level of customer relations in commercial banks was assessed.*
**KEYWORDS**: *banking, banking marketing, relationship marketing, NPS, CR, CSI, FCR, plastic cards, depository, loans,*

## INTRODUCTION

The Republic of Uzbekistan has a modern two-tier banking system that meets international standards. In accordance with the Decrees and Resolutions of the President of the Republic of Uzbekistan on further liberalization and reform of the national banking system, the Cabinet of Ministers of the Republic of Uzbekistan pays special attention to increasing the liquidity of commercial banks and their role in regulating the financial market. In particular, by the beginning of 2021, the ratio of bank assets to GDP in the country amounted to 63.1%, and credit investments - 47.7%, ensuring stability compared to 2020 [1].

Draft Decree of the President of the Republic of Uzbekistan on the approval of the new Development Strategy of Uzbekistan for 2022-2026 and the "road map" for its implementation in 2022 Decree of the President of the Republic of Uzbekistan dated March 23, 2018 No. PP-3620 "On measures to improve the banking system of the Republic of Uzbekistan for 2020 - 2025" Resolutions of the Central Bank of the Republic of Uzbekistan and other regulations on customer-oriented activities in the activities of commercial banks operate on the basis of t a number of strategic directions have been identified to ensure. In solving these tasks, it is important to assess the effectiveness of commercial banks from the customer's point of view.

The rapid emergence of competition and innovative technologies in the financial services market requires the development of development strategies, taking into account all the factors for their long-term development in the market. In order to survive in the competition, commercial banks need to develop targeted marketing strategies and implement them effectively. For the same reason, there is a need to assess the effectiveness of commercial banks. The main direction of development of modern banking services in Uzbekistan is the effective implementation of the "bank-client" principles. There is a lot of research in the country aimed at developing the market of banking services, increasing the stability and liquidity of banks through the use of modern marketing strategies. The policy of commercial banks to work with customers, to conduct research aimed at transforming the consumer into a customer, the customer into a customer and the customer into a regular customer, and to define the theoretical and methodological aspects of their use has emerged as a prerequisite for every bank.

## LITERATURE REVIEW

Methodology for assessing the economic activity of commercial banks on the basis of the CAMELS rating system Karabaev N.A. studied by, which involves the evaluation of the components of the analyzed banking activities on the basis of factors consisting of the first letter. They are C - (Capital adequacy) Capital adequacy; A - (Assets quality) Asset quality; M - (Management) Management ability; E - (Earning) Profitability; L - (Liquidity) Consists of liquidity components; S - (Sensitivity to risk) Risk sensitivity [2].

Advantages and peculiarities of the system of evaluating the effectiveness of commercial banks used by international rating agencies in accordance with the instructions of the Central Bank of the Republic of Uzbekistan [3] Ergash R. scientifically substantiated in his research.

The idea of evaluating the effectiveness of banking activities using a system of balanced indicators (hereinafter - BKT) based on the concept of management (Management by Objectives, MVO) was proposed in 1954 by Peter Drucker. In contrast to the analysis based on the principles of Managing by Tasks (MBT), processes (Business Process Management, BPM) and rules / instructions (Systems & Procedures, S&P), Drucker suggests that commercial banks should be evaluated on the basis of a targeted approach [4] . Thus, the concept of an organizational and systematic approach that allows management to focus on strategic goals allows to identify the strengths and weaknesses of strategic management.

Strategic management requires a clear assessment of the overall performance of the bank, which requires an assessment based on a system of balanced indicators (BCI) [5].

The positive impact of the introduction of ICTs on business has been proven by research, according to which 80% of companies using ICTs show higher-than-average income growth rates [6]. In addition, a study by the Institute of Management Accountants of the American Institute of Management Accountants found that evaluating the effectiveness of management's internal management system in companies that use BCT approaches is one point higher (on a five-point scale) than companies that do not use this system.

However, strategically planned targeted performance appraisal methods by local commercial banks are not yet sufficiently practical. One of the simplest methods is content analysis, survey and expert evaluation, which are theoretical methods of assessing the effectiveness of banks.

In the current situation, in order to ensure the financial stability of the bank and its effective management, the management of a commercial bank must assess the real financial condition of the bank. In auditing the activities of commercial banks, it is important to study the assets, their composition, quality, profitability, liquidity and their dynamics [8]. Bozorov R. His research [9] relied on financial analysis methods to ensure the financial stability of commercial banks.

In international practice, the market performance of commercial banks is assessed on the basis of the relationship of commercial banks with customers. Based on feedback from customers, it is recommended to calculate individual indicators that characterize their level of satisfaction (Table 2).

**Indicators for assessing the state of customer relations in commercial banks**

| Indicators | Research characteristic | Participating groups | Source of information |
|---|---|---|---|
| NPS [*Net PromoterScore*] | The participation rate of the bank's client in the bank's recommendation | Senior Management and Marketing Department | Based on an online survey method from all segments of consumers |
| CR [*Customer request*] | The ratio of calls to the number of transactions of a particular type | Customer Service Specialists | Based on internal information systems |
| CSI [*CustomerSatisfaction Index*] | Satisfaction rate of customers | Customer Service Specialists | Telegram channels and SMS surveys for the mass segment |
| FCR [*First CallResolution*] | The share of unique requests currently allowed in the total number of received requests | Communication service participants | Internal Information System |

In the research of V.Rajshekhar M.D.Dash [10], the imbalances between state and commercial banks in the use of relationship marketing in the Indian banking sector are studied on the basis of the following factors: trust, the level of relationship, the quality of service and the quality of communication. The results of the study show that the relationship marketing in both the public and private sector banks has a long way to go before it is effective. In addition, communication and dispute resolution are the most important factors in commercial banks.

Ebun Omoniyi et al. [11] conducted a study to identify key factors in customer relationship marketing while using customers from GTBank PLC branches in Ilorin, Nigeria. The study used primary data through a survey. The study found that compulsion in relationship

marketing had a significant effect on customer satisfaction, resulting in increased customer loyalty. This means that a good relationship with customers in the banking sector has a positive effect on customer satisfaction and loyalty.

The importance of marketing the relationship of commercial banks with small businesses in the UK and the main features of its organization have been studied in the research of John K. Ashton, Andrew Pressey [12]. The concept of coercion in the Indian banking sector and its impact on customer relationship marketing is determined by the method of comparative influence [13].

Research by Benazir Solangi, Urooj Talpur [14] and others has shown that the banking sector in Pakistan's Sindh province is able to retain customers through effective relationship marketing. Relationship marketing focuses on developing customer satisfaction and loyalty. The survey, based on the Survey method, used the Likert scale to determine the effect of four independent variables (trust, coercion, communication, and conflict resolution) on customer retention. The results of the study highlighted the need for effective implementation of the CRM in the Pakistani banking sector.

Research on relationship marketing operations, customer loyalty and their impact on financial performance has been conducted by G.Tawseef, M.A.Bhat [15].

The results of the above research show that there are three main effects of relationship marketing:

1) Economic efficiency (growth of investments, reduction of costs based on value added, relationships);

2) Strategic effectiveness (strategic relevance and longevity of market entry and operation);

3) Behavioral effects (social relations, trust and culture).

The economic effect is that consumers spend their income to maximize the satisfaction of their products or services. Strategies and behavioral approaches suggest that the long-term viability of commercial banks in a competitive market and their ability to maximize profits depend on long-term relationships with customers.

## RESEARCH METHODOLOGY

Assessment of the quality of banking services offered in commercial banks by the Decree of the President of the Republic of Uzbekistan PF-5992 dated 13.05.2020 "On the strategy of reforming the banking system of the Republic of Uzbekistan for 2020 - 2025".

In the Republic of Uzbekistan, there are no clear methodological approaches to the assessment of commercial banks from the client's point of view. Therefore, it is important to create a methodological framework for evaluating the activities of commercial banks from the customer's point of view. With the development of competition, the high quality of customer service of commercial banks and leadership in selected markets are of paramount importance for the future success of the bank.

The main criteria for determining the satisfaction of consumers with banking services are:

the bank's attitude to the client;

the degree to which the bank solves the customer problem;

ability to provide information on new types of services provided by the bank;

trust in the bank;

The questions, which are identified as selected factors in the satisfaction of consumers with banking services, should be implemented on a scale of 5 on the Likert [16] scale. When using the Likert scale questionnaire using the SPSS Statistics (Statistical Package for the Social Sciences) manual system, statistical descriptive indicators were calculated based on relevant factors.

**Figure 1** shows the methodological approach to assessing customer relations in commercial banks.

The results of the Bank's consumer activities are determined by the following factors:

1) Trust - well-established relations of commercial banks with customers increase consumer confidence in the bank. Therefore, the level of trust should be included as a key factor in determining the state of the relationship marketing.

2) The level of interaction - the result of the activities of a commercial bank for consumers depends on the level of interaction. This is mainly the result of the work of the customer service department, which is determined by the ability of employees to communicate with customers, to provide complete and quality information, courtesy, and so on.

3) Problem-solving wound - the relationship of commercial banks with customers is determined by the bank's ability to fulfill its obligations and the ability of customers to solve problems. Therefore, it is expedient to include problem-solving as a key factor in the marketing of relationships.

4) Communication - communication is a key factor in determining the state of relations with customers. Working with information in commercial banks, timely and quality delivery of customer information, advertising, PR and others are the main factors in determining the level of interaction.
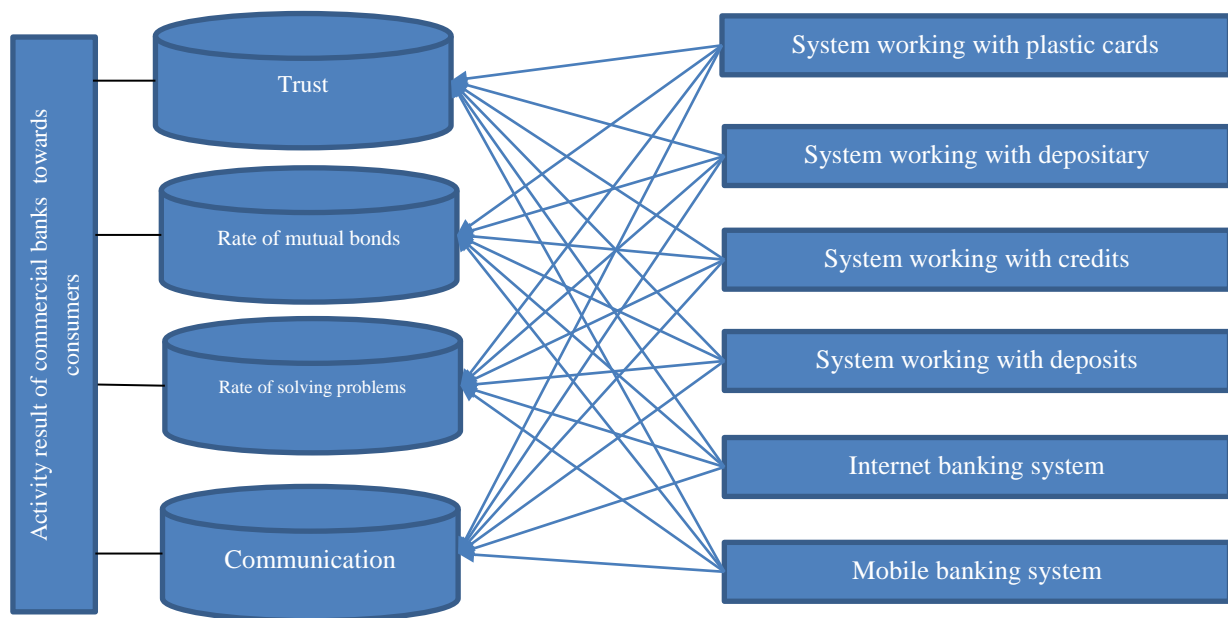
**Figure 1. The Bank's Consumer Performance Appraisal Model [17]**

The following system of indicators is determined by the type of service, which is important for each commercial bank. This is due to the fact that the establishment of targeted relationships with customers depends on the type and quality of products and services offered by commercial banks. Based on this, it is proposed to eliminate the following factors:

1) The system of work with plastic cards of a commercial bank;

2) Register of work of a commercial bank with the depository;

3) Credit system of a commercial bank;

4) The system of work with deposits;

5) work with the "Bank Client" program;

6) work with the program "Internet Banking";

7) status of SMS banking services;

8) Status of Mobile Banking services

9) Bank's remote control systems

Based on the results of marketing research [18], in order to determine the impact of the services offered by commercial banks on the process of relations with consumers, it is necessary to determine the attitude of each relevant variable to the services offered.

## ANALYSIS AND RESULTS

Based on the proposed methodological approach, the survey method, which is widely used in marketing research, is used to assess the state of work of commercial banks with customers [19].

In assessing the state of relations of commercial banks with customers, it is recommended to use a model of systematic equations based on the SmartPLS package guide to determine the relationship between the factors and the density of correlations.

The SmartPLS package guide tool allows the PSL algorithm to determine the impact of factors. It is also convenient because it calculates the impact force in a graphical interface. The SmartPLS package guide tool allows the PSL algorithm to determine the impact of factors. It is also convenient because it calculates the impact force in a graphical interface. The PLS algorithm based on the SmartPLS package program, based on the above and the latent variables that make up the main components, is shown in Figure 2. Based on the **analysis, Path provides an opportunity to determine the strength of the impact on the effectiveness of relations with customers.**
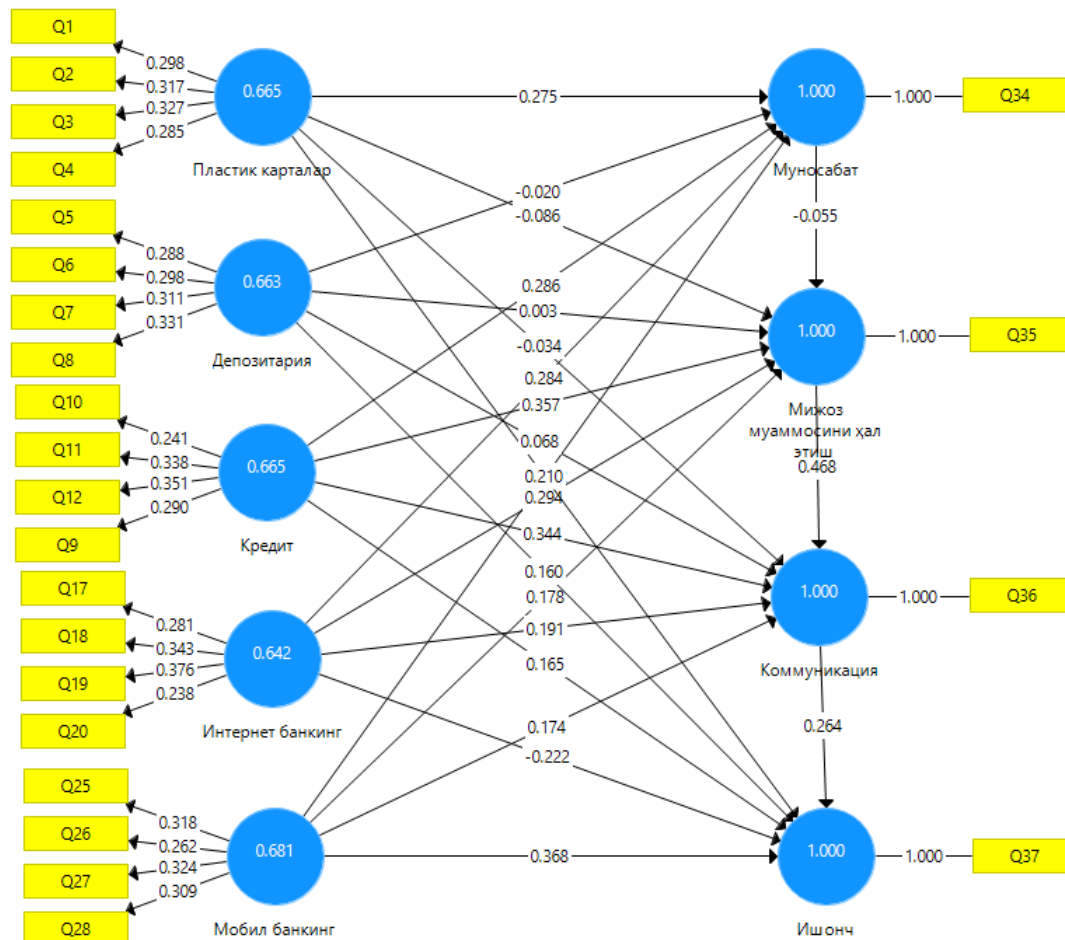
Figure 2. "The level of customer relations of "Ipoteka bank" ATIB by type of service [20]. According to the results obtained, the standardized regression load coefficient X (Path Coefficients) SmartPLS 3. is used to measure the strength of the cause-and-effect relationship between the variables in the instruction package. Path coefficients - Path coefficients are standardized representations of linear regression weights. They examine the possible causal relationship between statistical variables in the modeling of complex systems of equations. Standardization involves multiplying the normal regression coefficient by the standard deviation of the corresponding variable. The path coefficients are used to estimate the relative effect of the variables within the regression model. In Table 2, it can be seen that the 4 factors selected in terms of customer relations are more influential than the types of services provided by commercial banks.

**Table 2**
**Effectiveness of Mortgage Bank ATIB on customer service services**

| Hidden variables | Effectiveness of customer relations | | | |
|---|---|---|---|---|
| | У1- the state of relations with customers | У2- the rate of solving customer issues | У3- communication with customers | У4- customer trust: |
| F1-Service connected with plastic cards | 0,275 | -0,086 | -0,034 | 0,210 |
| F2-Service with depositary | -0,020 | 0,003 | 0,068 | 0,160 |
| F3-Service with credits | 0,286 | 0,357 | 0,344 | 0,165 |
| F4-Internet banking system | 0,284 | 0,294 | 0,191 | -0,222 |
| F5-Mobile banking system | -0,092 | 0,178 | 0,174 | 0,368 |

**According to Table 2, we construct the following function on the state of relations with U1 clients:**
**$Y\_1 = 0.275F1-0.020F2 + 0.286F3 + 0.284F4-0.092F5$**

**It is known from the given function that in order to effectively organize the state of relations with customers, plastic card transactions increase by a factor of 0.275, credit services by a factor of 0.286, internet banking by a factor of 0.284, mobility by a factor of 0.0. ekan.**

According to Table 2, the problem in the effective organization of relations with customers of Ipoteka Bank ATIB is the inefficiency of credit and services. The process of communication with customers is not well established in the commercial tank. The Internet banking system does not fully meet the expectations of customers. The bank has established an effective mobile banking system, which is expedient in all respects.

The statistical significance of the results of the above model is checked on the basis of a number of tests. The reliability of the model results is tested by Cronbach Alpha, AVE (Average Variance Extracted) and CR (Construct Reliability).

When Cronbach Alpha was> 0.8 in each latent variable, the results could be considered positive. The results of this test show that the results of questionnaires can be used as a model.

**Table 2.**
**Statistical Significance Verification [21]**

| | Cronbach's Al... | rho_A | Composite Rel... | Average Varian... |
|---|---|---|---|---|
| Депозитария | 0.829 | 0.833 | 0.887 | 0.663 |
| Интернет банк... | 0.814 | 0.838 | 0.877 | 0.642 |
| Ишонч | 1.000 | 1.000 | 1.000 | 1.000 |
| Коммуникация | 1.000 | 1.000 | 1.000 | 1.000 |
| Кредит | 0.833 | 0.847 | 0.888 | 0.665 |
| Мижоз муамм... | 1.000 | 1.000 | 1.000 | 1.000 |
| Мобил банкинг | 0.844 | 0.847 | 0.895 | 0.681 |
| Муносабат | 1.000 | 1.000 | 1.000 | 1.000 |
| Пластик карта... | 0.831 | 0.833 | 0.888 | 0.665 |

The next test calculates the coefficient of variation AVE (Average Variance Extracted), which reflects the degree of deviation of each latent variable relative to the total, and the model is considered reliable if it takes values greater than a factor of 0.5. In our example, for all latent variables, these values resulted in a coefficient greater than 0.5.

The reliability of the model results increases only when the values of the coefficients obtained on Composite Reliability are greater than 0.8 for each latent variable. This ratio reflects the differences between the average averages for each of the independent variables and the poverty of the independent variables combined with the latent variable. In the model obtained, these pupae assumed significant values for all latent variables.

## CONCLUSIONS AND SUGGESTIONS

In assessing the effectiveness of commercial banks in the operations of commercial banks in Uzbekistan, there are widely used methods based on the analysis of the system of effective financial management and ensuring the financial stability of the bank. Given the current state of commercial banks, it is important to develop methodological approaches to assessing the efficiency of the bank from the customer's point of view. The proposed method of evaluating the activities of commercial banks from the customer's point of view, based on the factors of customer confidence, problem solving, communication and interrelationships, allows to develop marketing strategies for the customer.

In order to effectively organize the state of customer relations of Ipoteka Bank, operations with plastic cards will increase by a factor of 0.275, credit services by a factor of 0.286, the system of Internet banking by a factor of 0.284. identified. According to the results of the assessment of the level of customer relations for each bank's services by Ipoteka Bank, the situation with depository operations, internet banking and the provision of new types of services provided by the bank is good.

Using the proposed valuation method to determine the strategic goals of commercial banks based on the concept of a balanced system of indicators, it is possible to identify problems for each banking service. Based on these circumstances, an "online banking strategy map" is formed in commercial banks. The strategy, based on this assessment methodology, will help commercial banks to move to a "consumer-oriented" concept, which is a modern marketing concept.

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16. *The Likert scale is a numerical value that accepts numerical values (1-3), (1-5), (1-7) and is used to estimate factors;*

17. *Author's development;*

18. *Results of questionnaires conducted by the author with the clients of Ipoteka Bank ATIB;*

19. *The questionnaire is formed by the author, the link to the questionnaire:*
    *https://forms.gle/a5P4DXWT4iGBqj7c9 .;*

20. *Author's development;*

21. *Results based on the SmartPLS package guide.*