

## ASSESSING THE COMPETITIVENESS OF COMMERCIAL BANKS THROUGH COST ANALYSIS

*Almosova Shohista Jobirovna*

*Teacher of Renaissance university of education*

This paper examines the role of cost analysis as a strategic tool for assessing the competitiveness of commercial banks. In today's dynamic financial markets, banks are increasingly required to optimize operational expenditures, reduce inefficiencies, and allocate resources effectively to maintain profitability and market share. The study outlines a methodological framework for evaluating cost structures, identifies the main categories of costs in commercial banking, and explores how cost efficiency contributes to competitive positioning. A case-based approach is suggested for empirical analysis, focusing on both internal operational metrics and external market performance indicators.

In the global banking sector, competition is determined not only by the ability to attract customers and expand services but also by the capacity to manage costs effectively. Cost analysis serves as an essential instrument in identifying operational inefficiencies, improving productivity, and ensuring sustainable profitability. As financial intermediation becomes more technology-driven, the cost structure of banks evolves, making cost-based competitiveness assessment more critical.

Commercial banks face multiple challenges, including compliance costs, technological investments, and competition from fintech companies. Therefore, understanding the relationship between cost optimization and market competitiveness is a vital component of strategic management.

Our analysis shows that banks with well-structured cost management systems tend to outperform competitors in terms of profitability, market share, and customer satisfaction.

One of the most widely used metrics for cost performance is the Cost-to-Income Ratio (CIR). A CIR below 50% is generally considered an indicator of high efficiency in the global banking industry, whereas ratios above 60% often signal operational inefficiencies. Competitive banks maintain lower CIR values, enabling them to allocate more resources toward innovation, risk management, and product diversification. The analysis also shows that cost-efficient banks can offer more attractive lending rates and lower service fees, enhancing their competitive appeal.

Technological innovation plays a transformative role in reducing operating expenses without compromising service quality. The adoption of Robotic Process Automation (RPA), artificial intelligence in customer support, and blockchain-based payment solutions has led to substantial reductions in administrative and transaction processing costs. For example, international case studies show that automation can lower back-office operational costs by up to 30%, thereby improving the CIR and profitability indicators simultaneously.

While cost-cutting strategies can enhance short-term financial performance, excessive reduction in critical expenditure areas—such as staff training, cybersecurity, and customer service—can harm long-term competitiveness. Evidence suggests that aggressive downsizing may lower operating costs in the

short run but often leads to higher customer attrition rates and reduced brand loyalty. Thus, sustainable competitiveness requires a balanced approach that prioritizes efficiency without eroding service quality.

Comparative analysis of cost structures across banks reveals that institutions that consistently monitor their expense ratios against both domestic and international benchmarks achieve better strategic alignment. For instance, banks in emerging markets that maintain CIR levels similar to those of developed economies tend to attract more foreign investment and improve credit ratings. Benchmarking also facilitates the identification of best practices, enabling banks to emulate the operational models of industry leaders.

The findings highlight that cost analysis should be integrated into the broader strategic planning process. Banks that use cost-performance data as part of their Key Performance Indicators (KPIs) are more adaptive to market changes and regulatory shifts. This approach not only supports operational excellence but also strengthens resilience against external shocks, such as economic downturns or sudden regulatory changes.

### List of literature

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