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Theoretical Basis for Assessing How Well Commercial Banks Use Their Resources

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Abstract:

This article presents a study of theoretical methods for evaluating the efficiency of commercial banks' resources.

Keywords: commercial banks, resources, efficiency, productivity, evaluation of resource efficiency.

Introduction

The majority of scientific sources agree that economic literature is where the term "efficiency" originally appeared. The usage of this phrase in the scientific writings of people regarded as the forerunners of classical political economy, such as V. Petty, F. Keene, D. Ricardo, K. Marx, and others, explains this. They have, however, given multiple meanings to the word "efficiency" in order to convey social and economic processes and conditions. Specifically, the idea of "efficiency" was employed by V. Petty and F. Kene to assess the "effectiveness" of government action and its capacity to stimulate economic processes, rather than as a stand-alone economic category.

The concept of "efficiency" is not used in the works of A. Smith. D. Ricardo in his work entitled "Political Economy and the Beginning of Taxation" proved that absolute priority in economic relations (according to A. Smith's theory) is essentially a certain restriction from general rules and justified the theory of relative priority. In his opinion, two situations should be taken into account when analyzing the directions of foreign trade development.

First, the distribution of economic resources (labor, natural resources, etc.) varies among nations. Second, different technologies or resource combinations are needed for the effective manufacturing of various items. It is highlighted that with time, production efficiency of different items can and does change. This result led to the development of the theory of relative priorities, which states that the nation should concentrate its efforts on producing highly efficient items so that the demand for goods with a minimum relative priority can be satisfied through exports.

Simultaneously, D. Ricardo determines the following result while assessing the fixed and variable efficiency of capital: "... the shorter the period of use of capital, the more the labor cost to maintain its initial value increases." It is now appropriate to bring up D. Ricardo's labor theory. He claims that labor costs are the only element that affects prices. Drawing from the aforementioned conclusions, it can be observed that D. Ricardo's notion of "efficiency" refers to the ratio of the final economic outcome to specific costs. L. Walras, in his book titled "The beginning of pure political economy or the wealth of society" stated that "Pure political economy is essentially a theory of price determination at the highest, hypothetical level of free competition." According to him, the act of setting the price of things is the only way to comprehend and communicate particular economic realities, such as efficiency concerns.V. Pareto developed the "economic efficiency model" (also known as the "Pareto Optimum") in an attempt to define the concept of "efficiency". According to this model, any desired change in resource distribution must not have a negative impact on the welfare of at least one economic system subject in order to be considered as having the maximum level of social welfare guaranteed and the process of resource distribution carried out optimally. Based on the findings of the aforementioned investigation and the examination of additional scientific sources, many conclusions can be made:

Firstly, "efficiency" is a distinct economic category that represents a collection of broad, meaningful, and consistent correlations between the output of industrial activities and the expenses incurred in achieving this output. Like the main categories of economic theory, the efficiency category takes into account relationships with the external environment, such as the fulfillment of commitments and relationships with partners and competitors, in addition to economic factors.

However, efficiency has a complicated structural makeup as an economic term. One can list comparatively independent aspects that indicate interrelationships and linkages, such as production and labor efficiency, resource distribution efficiency (allocative efficiency), management and capital investment efficiency, innovation and economic growth efficiency. On the one hand, these components work well together and offer a chance to evaluate the overall health of the business.

Conversely, each component can carry out a mostly autonomous function, clash with one another, or symbolize distinct facets of the economic entity's operations. The social impact and interactions with the external environment are shown by the structural structure of the economic category "Efficiency" (regardless of whether it is taken into account or not, whether there are methods of evaluating it or not). Thus, in our view, efficiency should be evaluated in light of the social and social aspects. In this instance, the degree to which social parameters have been achieved can be used to evaluate the second feature, and the ratio between the final outcome and the costs required to get there can be used to evaluate the first.

Secondly, the efficiency category should be considered in accordance with general economic laws. The first scientific studies in this direction were carried out by L. Walras and V. Pareto. The role and importance of the "efficiency" category within general economic laws is revealed in the concession of general economic equilibrium developed by L. Walras, as well as by V. Pareto's rule that achieving general economic equilibrium is fully compatible with ensuring maximum efficiency in the economy.

Thus, the category of efficiency is related to the maintenance of economic balance, and the problems of increasing efficiency are related to the maintenance of the overall balance of the economic system.

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