

## EXPERIENCES OF ASIAN COUNTRIES IN ENSURING THE FINANCIAL PERFORMANCE OF BANKS

**Dilrabo Sobirjanovna Alimjanova**

*Independent Researcher, Tashkent International University*

Email: [d.alimjanova@tmci.uz](mailto:d.alimjanova@tmci.uz)

ORCID: 0009-0007-3391-3526

**Abstract.** *The article examines the formation of the financial performance of commercial banks and its theoretical foundations. Scientific conclusions and approaches of foreign and domestic scholars aimed at identifying the specific features of the efficiency of banks' financial activities are systematized. In conducting this research, particular attention is paid to systematizing ideas proposed in international academic studies and analyzing their influence on the formation of financial performance from the perspective of different countries' experiences. Scientific and practical approaches aimed at ensuring performance based on the financial indicators of banks have been developed.*

**Keywords:** *financial stability, profitability, asset quality, capital adequacy, cost-to-income ratio, interest and non-interest margins.*

### **Introduction**

In conducting this research, attention is paid to systematizing the ideas proposed in international scientific studies and analyzing their impact on the formation of financial performance from the perspective of countries' experiences. This helps to develop a system of indicators that should be considered when identifying and evaluating the financial performance of banks.

In our opinion, the following elements are important when assessing the financial performance of banks:

First, systematizing internal and external factors affecting financial performance. Based on determining the degree of their influence, it becomes possible to ensure the stability of financial performance.

Second, determining the degree to which non-financial factors influence performance. Based on their systematization, it is advisable to develop a set of measures aimed at improving financial performance.

Third, it is important to incorporate sustainable development goals when achieving financial performance. In this regard, the presence and provision of environmental, social, and economic trends in national development should reflect an important priority of financial performance.

## Literature Review

Continuing the systematization of the financial performance of commercial banks, we attempt to clarify scientific approaches to banks' credit policy. In this regard, A. Norov, in his doctoral dissertation, systematizes scientific approaches aimed at increasing the profitability of commercial banks' assets based on lending to business entities. According to him, it can be observed that changes in bank capital play an important role in changes in the volume of credit investments. He recommends introducing innovative online lending services and implementing a method in practice whereby costs related to loan processing are included in the loan amount. Certain directions of problems arising in lending are also identified, indicating that these situations negatively affect the financial efficiency of banks [1].

We also attempt to continue our research with the banking systems of Japan and Singapore, which are considered major economies in Asia. In these countries, economies of scale and integration among banks play a significant role as the main drivers of financial performance. In this context, banks are not merely financial institutions conducting financial transactions but act as entities that provide financial services in the form of a comprehensive ecosystem.

In particular, banks provide services such as insurance, leasing, and investment fund activities. From this perspective, banks achieve higher financial performance not only through their "lending" function but also by operating as institutions that form a financial services ecosystem.

In a study conducted by H. Nakaso, the financial crisis that occurred in Japan in the 1990s and the anti-crisis measures implemented by the Central Bank, Bank of Japan, were analyzed. The study examined how the crisis emerged as a result of an artificial increase and sharp decline in asset prices. During this period, the credit portfolios of banks deteriorated, the share of non-performing loans increased, and the capital base weakened. In response, the central bank implemented a number of reforms. These included maintaining bank liquidity, reducing the share of non-performing assets, lowering the interest rate to zero, and purchasing assets to support market demand for money. It is noted that stabilizing balance sheets, maintaining capitalization, and ensuring confidence in the real sector are crucial for maintaining the financial stability of banks [2].

In a study conducted by H. Liu and others, the profitability factors of Japanese banks in the late 1990s and early 2000s were empirically analyzed. It was found that a high level of bank capital positively affects profitability, economies of scale in large banks create positive trends (efficiency and market power), and factors such as credit portfolio quality and cost efficiency also play significant roles. Overall, it is noted that financial performance in Japanese banks is determined by factors such as capital structure, scale, asset quality, and operational efficiency [3].

L. Sabirova, in her doctoral dissertation, attempts to substantiate scientific proposals aimed at improving the quality of banks' credit portfolios. In her research, the financial indicators of Uzsanoatqurilishbank and Trustbank were analyzed. According to her findings, it is proposed to diversify the credit portfolio of commercial banks and increase the share of loans allocated to individuals within the structure of gross loans based on stable payment discipline. It is also suggested to increase the share of loans allocated to the private sector. Based on these scientific approaches, attention is focused on developing ideas aimed at improving the financial stability of banks [4].

In our opinion, approaches aimed at developing banks' credit policy play a special role in improving their financial performance. From this perspective, it is important to consider the specific aspects of lending in increasing banks' financial performance. Based on our research, we have developed the following scientific conclusions:

First, when developing banks' credit policy, it is necessary to consider improving asset quality. In this process, achieving stability in asset profitability is of significant importance.

Second, the investment component should be taken into account when developing banks' credit policy. Strengthening the role of banks in financing investment projects can contribute to improving their financial performance.

Third, based on the diversification of banks' credit portfolios, it is important to develop the practice of lending not only to state institutions but also to other economic entities.

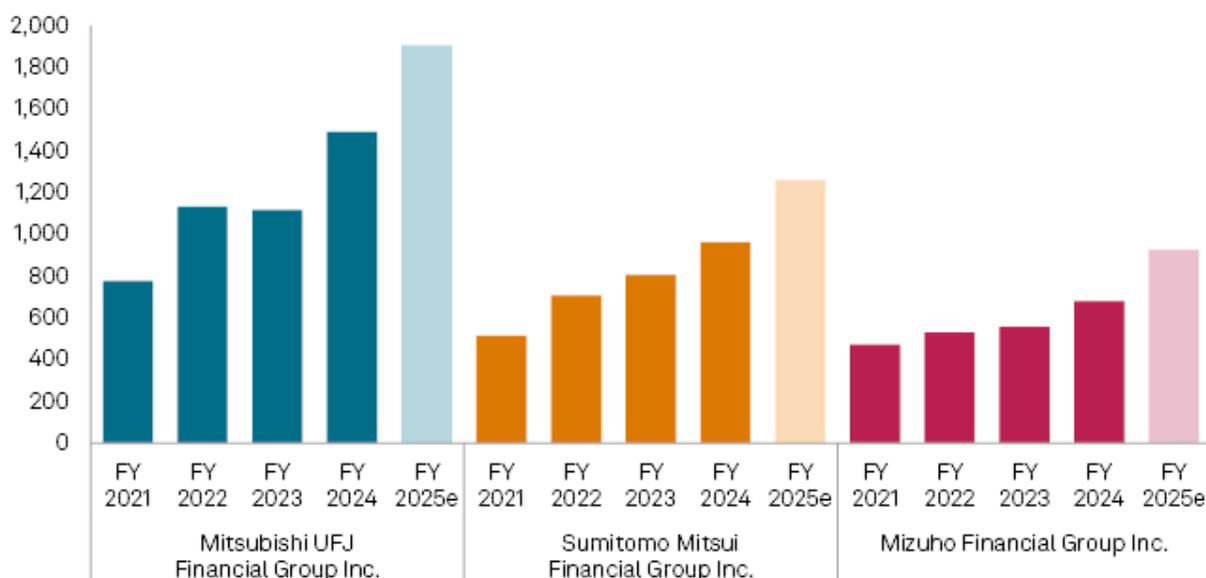
In conclusion, regulating banks' credit policy and directing it toward financing priority sectors plays an important role in improving banks' financial performance. In this regard, increasing the quality of the structure of banks' credit portfolios should be considered a priority.

### **Analysis and Results**

Figure 1.5 presents the results based on research conducted by analysts from S&P Global. These trends summarize the financial performance of major Japanese banks such as Mitsubishi UFJ Financial Group, Sumitomo Mitsui Financial Group, and Mizuho Financial Group.

In 2024, the net profit of Mitsubishi UFJ Financial Group was around ¥1.90 trillion. The estimated net profit for Sumitomo Mitsui Financial Group was ¥1.26 trillion, while Mizuho Financial Group recorded approximately ¥926 billion.

Higher interest rates in Japan have led to a significant balance between interest income and interest expenses for banks. Therefore, the higher-than-expected profits of large banks can be explained by factors such as economies of scale, capital structure, market position, and the interest rate policy of the central bank.



**Figure 1.5. Net profit of Japanese megabanks [5], billion ¥**

Continuing our research, we attempt to analyze the experiences of Singaporean banks. Singapore is considered one of the leading countries in the world in terms of GDP per capita. The presence of this trend is associated with the extensive implementation of digital technologies in the country's banking system, which has contributed to ensuring the financial performance of banks. In particular, as a result of the introduction of digital technologies, the cost-to-income ratio has decreased to approximately 35–45 percent.

In their joint research, N. Malik and others analyzed the financial performance of banks in the ASEAN-5 countries—Indonesia, Malaysia, Thailand, Singapore, and the Philippines—focusing on the impact of digitalization. They examined indicators such as return on assets, return on capital, interest income, and the cost-to-income ratio. Based on their study, several scientific conclusions were formulated. In particular, it was substantiated that banks that have more widely implemented digital technologies demonstrate higher levels of profitability. Moreover, the reduction in the share of expenses relative to income has contributed to improved financial performance. It can also be observed that this indicator is 10–15 percentage points lower in digitalized banks compared to traditional banks. At the same time, it is emphasized that large banks are able to implement digital technologies more rapidly and transform them into economies of scale [6].

In a study conducted jointly by F. Sufian and other researchers, the impact of bank mergers on efficiency in Singapore's banking sector was analyzed. Their findings indicate that in merged banks, the ratio of expenses to assets decreases, leading to higher profitability. In large banks, the reduction in unit costs contributes to increased efficiency, while merged banks also experience growth in their asset base. Overall, it is

emphasized that bank mergers in Singapore have served as an important mechanism for reducing costs and improving efficiency [6].



**Figure 1.6. Net profit of major Singaporean banks, billion Singapore dollars (national currency) [7]**

Figure 1.6 presents the trend of net profits of three major Singaporean banks for 2024–2025. According to the figure, the net profit trends of DBS Group Holdings, Oversea-Chinese Banking Corporation (OCBC), and United Overseas Bank (UOB) are analyzed. For example, the projected net profit amounts are S\$2.77 billion for DBS, S\$1.74 billion for OCBC, and S\$1.46 billion for UOB. As a result, the total net interest margin is forecast at 2.06 percent for DBS, 1.97 percent for OCBC, and 1.95 percent for UOB.

### Conclusion

Overall, based on the experience of Japan, we were able to formulate the following scientific conclusions:

**First**, strengthening bank capital. It is necessary to consider that stable capital has a positive impact on the financial performance of banks.

**Second**, achieving economies of scale in banks. It is important to create conditions for expanding scale by developing an ecosystem of financial services within banks.

**Third**, preventing the excessive growth of non-performing assets. It is essential to identify in advance the risks of asset price bubbles and implement preventive measures to avoid such situations.

In our opinion, it would be appropriate to implement transformations aimed at increasing economies of scale through digital technologies, similar to the experience of Singapore. This, in turn, would create conditions for banks to provide financial services based on an ecosystem approach. Based on the advanced foreign experiences presented

above, we believe that implementing reforms aimed at improving the financial performance of the banking system in our country will contribute to ensuring the financial stability of banks.

## REFERENCES

1. Норов А.Р. Тижорат банклари томонидан тадбиркорлик субъектларини кредитлаш амалиётини такомиллаштириш: и.ф.б.ф.д. ... автореферати. – Т.: ЎзР. БМА, 2020. – 58 б.
2. Nakaso H. The financial crisis in Japan during the 1990s: how the Bank of Japan responded and the lessons learnt. – 2011.
3. Liu H., Wilson J. O. S. The profitability of banks in Japan //Applied Financial Economics. – 2010. – Т. 20. – №. 24. – С. 1851-1866.
4. Сабилова Л.Б. Тижорат банкларида кредит портфели сифатини ошириш йўллари: и.ф.б.ф.д. ... автореферати. – Т.: Ренессанс таълим университети, 2025. – 61 б.
5. Japan's megabanks likely to post better-than-expected full-year earnings, 11 may 2025. <https://www.spglobal.com/market-intelligence/en/news-insights/articles/2025/5/japans-megabanks-likely-to-post-betterthanexpected-fullyear-earnings-88872986>
6. Malik N. et al. Financial banking performance of ASEAN-5 countries in the digital era //Jurnal Keuangan Dan Perbankan. – 2020. – Т. 24. – №. 1. – С. 117-130.
7. Sufian F., Abdul Majid M. Z., Haron R. Efficiency and bank merger in Singapore: A joint estimation of non-parametric, parametric and financial ratios analysis. – 2007.
8. Singapore banks face earnings decline in Q2 as rates head south. 29 July 2025. <https://www.spglobal.com/market-intelligence/en/news-insights/articles/2025/7/singapore-banks-face-earnings-decline-in-q2-as-rates-head-south-91664910>