

EFFECTIVE USAGE OF STRATEGIC ANALYSIS AS A KEY DRIVER OF THE DEVELOPMENT OF BANKING SECTOR

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Abstract

This research evaluates the strategic governance and financial trajectory of joint-stock companies in Uzbekistan, focusing on "Trastbank" PJSC as a primary case study from 2015 to 2024. The study examines how the integration of International Financial Reporting Standards (IFRS) and independent oversight has facilitated a transition toward a capital-fortress model, characterized by reduced leverage and enhanced solvency. Through a longitudinal analysis, the findings demonstrate that institutional autonomy and transparency have been the fundamental catalysts for sustaining high ROE/ROA profitability levels despite the inherent volatility of an emerging market. Ultimately, the paper concludes that Trastbank's governance framework serves as a critical benchmark for the modernization of financial entities, proving that shareholder-focused management is essential for long-term institutional resilience.

Keywords: Joint-stock company, Trastbank, Corporate Governance, Financial Resilience, Uzbekistan Banking Sector, Debt-to-Equity Ratio, Strategic Analysis, Capital Structure.

Introduction

In the current era of global financial integration, corporate governance has emerged as the definitive framework for institutional resilience and market trust. In Uzbekistan, the banking sector functions as the core of the national economy, with state-owned commercial banks (SOCBs) holding the largest share of total assets and credit portfolios. Since the initiation of broad structural reforms in 2015, the government has prioritized the modernization of these institutions to align them with international best practices. While the legislative environment has evolved significantly under the current leadership, ensuring genuine transparency and operational autonomy remains a complex task.

International financial institutions, including the IMF (2023) and the World Bank, have frequently pointed out that the effectiveness of Uzbekistan's banking reforms depends on the separation of state oversight from day-to-day commercial management. Major banks such as the National Bank of Uzbekistan (NBU), SQB (Uzpromstroybank), Trastbank and Asakabank are currently undergoing a transition phase, incorporating International Financial Reporting Standards (IFRS) and appointing independent members to their supervisory boards. However, the persistent "dual mandate"—balancing social policy goals with commercial profitability—creates a structural friction that challenges market discipline. This article evaluates the current



state of governance in the banking sector through the OECD Principles, identifying both the milestones achieved and the remaining gaps in achieving full independence.

METHODOLOGY

This study is based on a qualitative research design based entirely on the analysis of secondary data sources. Instead of using primary methods like surveys or interviews, the research evaluates official government documents, international financial reports, and existing academic literature. The focus is placed on interpreting institutional developments and identifying reform patterns within Uzbekistan's state-owned commercial banks (SOCBs). This approach allows for a comprehensive understanding of governance evolution without the need for quantitative performance measurement.

LITERATURE REVIEW

Joint stock companies are the main participants in the stock market. Joint stock companies are enterprises with a unique organizational and legal form, and in accordance with the current legislation of the Republic of Uzbekistan, a company can attract financial resources in order to expand, modernize, reconstruct and technical and technological re-equipment of its activities. To attract investment, joint-stock companies (corporations) issue equity securities (ordinary stocks), as well as debt securities (mainly corporate bonds). As an alternative source of capital raising, equities occupy the most important place among the available securities due to their wide distribution and unique characteristics.

Funding a joint-stock company by issuing stocks has a number of advantages. According to the Uzbek scientist I.L. Butikov, who has extensively studied the stock market, "The advantages of financing a joint-stock company by issuing ordinary stocks for the issuer are as follows [1, p. 6]:

1. If the enterprise is in the form of a joint-stock company, it will be able to mobilize much larger financial resources.
2. Lack of fixed financial payments.
3. Capital stability.
4. The risk of loss for the stockholder is limited by the value of the stocks.
5. Increasing the investment attractiveness of the company.
6. Popularization.

The practice of financing an enterprise through stocks is widespread throughout the world, especially in developed countries. According to economists I. Mirzaev and G. Tursunov, "Joint stock companies tend to find financial resources by issuing stocks, rather than taking loans to expand their activities (in international practice, large companies such as Samsung, LG, Kia Motors want to expand their activities, mainly through the issuance of stocks attract financial resources)» [2, p. 61].

In our opinion, the first source of financing for joint-stock companies is financing through the issuance of ordinary stocks. According to foreign economist Eddie McLaney, "Joint stock companies are financed in the following ways [3, p. 36]:

- 1) by issuing ordinary stocks;
- 2) by issuing preferred stocks;
- 3) through borrowing".



In the economic literature, the main purposes of issuing stocks are:

- to provide a new enterprise with initial capital for the organization of joint-stock companies and business activities;
- attraction of additional funds (capital increase) in the process of economic activity;
- acquisition of another company;
- to attract a strategic investor capable of ensuring effective management of the enterprise, restoring or strengthening its position, making significant changes to the capital structure and company management;
- maintaining and strengthening control over the JSC.

For example, the main reasons for issuing stocks in the United States today are the following [4, p. 68]:

- financing the acquisition of other companies;
- decrease in the stock of borrowed capital in the total capital of the corporation;
- financing of capital investments.

As a result of the study, it turns out that economists have given a separate definition to the concepts of "joint stock companies", "stocks", "financing", but no separate definition has been developed for "financing joint stock companies through stocks".

ANALYSIS

The practical implementation of joint-stock management principles in Uzbekistan can be effectively analyzed through the case of Private Joint Stock Bank "Trastbank." Established in 1994, Trastbank operates as a classic joint-stock entity, where the governance framework is strictly divided between the General Meeting of Shareholders, the Supervisory Board, and the Management Board to ensure transparency and accountability. To evaluate the efficiency of this corporate structure, it is essential to conduct a comprehensive financial analysis focusing on Key Performance Indicators (KPIs) and solvency ratios. The primary metric for shareholder value in a JSC is the Return on Equity (ROE), which measures how effectively the bank generates profit from the capital invested by its owners. This KPI, alongside the Return on Assets (ROA), serves as a benchmark for management efficiency. Furthermore, the bank's capital structure is examined through the Debt-to-Equity (D/E) ratio, which indicates the level of financial leverage and the bank's reliance on external liabilities versus its own equity. In the banking sector, maintaining an optimal D/E ratio is crucial for long-term solvency and meeting the regulatory requirements set by the Central Bank of Uzbekistan. By analyzing these financial ratios and the bank's net profit margin over recent fiscal periods, we can determine the correlation between effective corporate governance and financial sustainability. This analysis utilizes data from audited financial statements prepared under International Financial Reporting Standards (IFRS), providing a transparent view of the bank's liquidity, asset quality, and overall market position. Ultimately, these metrics provide a quantitative foundation to assess whether Trastbank's joint-stock model successfully balances risk management with the maximization of shareholder wealth.



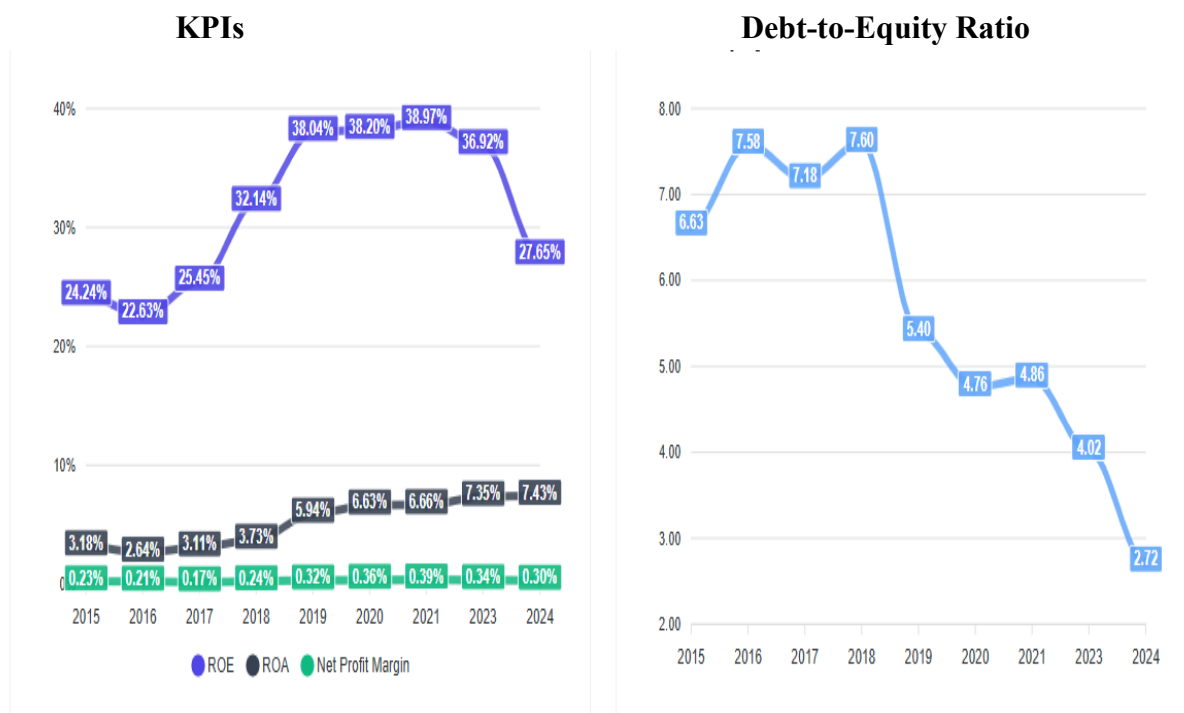


Figure1. Performance Indicators: KPI and Debt-to-Equity Ratio of Trastbank

The profitability indicators of Trastbank demonstrate several changes over the years. Return on Equity (ROE) started at 24.24% in 2015 and slightly decreased in 2016 before beginning a steady rise. By 2018 it had reached 32.14%, and it continued to grow to 38.04% in 2019 and 38.97% in 2021, which represents the highest level in the observed period. After this peak, ROE declined and stood at 27.65% in 2024. A similar but more stable trend can be seen in Return on Assets (ROA). It was 3.18% in 2015 and changed only slightly in 2016–2017, but afterwards it increased gradually, reaching 5.94% in 2019 and continuing to grow to 7.43% by 2024. This suggests that the bank has been improving its ability to generate profit from its assets. In contrast, the Net Profit Margin remained relatively low throughout the period. It fluctuated between 0.17% and 0.39%, ending at 0.30% in 2024. The debt-to-equity ratio was quite high in the earlier years, beginning at 6.63 in 2015 and increasing to 7.58 in 2016. It slightly declined to 7.18 in 2017 but rose again to 7.60 in 2018, which was the highest point. Starting from 2019, the ratio began to fall significantly, dropping to 5.40 and then to 4.76 in 2020. A small increase was recorded in 2021, when the ratio reached 4.86, but the general downward trend continued afterwards. By 2023 it had decreased to 4.02, and in 2024 it reached 2.72. This reduction may indicate that the bank has gradually lowered its reliance on borrowed funds and moved toward a more balanced financial structure.

Table 1. Financial Indicators of Trastbank (in trillion UZS)

Indicator	2015	2016	2017	2018	2019	2020	2021	2023	2024
Total equity	135.09	163.63	219.94	317.77	518.34	821.41	1.18	2.24	2.92
Net profit	32.74	37.02	55.98	102.12	197.16	313.75	460.64	800.25	807.44
Net revenue	97.34	116.06	170.24	268.95	401.68	563.77	810.86	1.49	1.57
Total assets	1.03	1.40	1.80	2.73	3.32	4.74	6.92	9.45	10.87
Total liabilities	895.49	1.24	1.58	2.42	2.80	3.91	5.74	7.21	7.95

The company has demonstrated remarkable financial growth over the past decade. Starting from 2015, total equity stood at 135.09 billion UZS, and by 2024 it had grown more than twentyfold, reaching an impressive 2.92 trillion UZS. This steady upward trajectory reflects the company's strengthening market position and solid capital base year after year. Net profit figures tell a similar story of consistent expansion. The company earned 32.74 billion UZS in net profit in 2015, and while growth was gradual in the early years, it accelerated significantly from 2018 onward, eventually surpassing 807 billion UZS in 2024. This represents a more than twentyfold increase over the span of just nine years. In terms of net revenue, the company generated 97.34 billion UZS in 2015, which grew steadily through the following years, crossing the one trillion mark by 2023 and reaching 1.57 trillion UZS in 2024. The consistent rise in revenue indicates strong and growing demand for the company's products and services. Total assets have also expanded dramatically, rising from 1.03 trillion UZS in 2015 to nearly 10.87 trillion UZS in 2024, which underlines the scale of the company's operations and its growing asset base. Meanwhile, total liabilities increased from 895.49 billion UZS in 2015 to 7.95 trillion UZS in 2024, a natural consequence of business expansion, though equity growth has kept pace, suggesting the company has maintained a balanced financial structure throughout this period.

Table 2. Financial Ratios of Trastbank (%)

Indicator	2015	2016	2017	2018	2019	2020	2021	2023	2024
ROA	3.18%	2.64%	3.11%	3.73%	5.94%	6.63%	6.66%	8.47%	7.43%
ROE	24.24%	22.63%	25.45%	32.14%	38.04%	38.20%	38.97%	35.66%	27.65%
COR	2.59%	2.62%	3.26%	3.26%	2.30%	3.20%	1.73%	1.21%	1.36%
Net profit margin	0.23%	0.21%	0.17%	0.24%	0.32%	0.36%	0.39%	0.36%	0.30%
Debt to Equity ratio	6.63%	7.58%	7.18%	7.60%	5.40%	4.76%	4.86%	3.21%	2.72%

The company's key financial ratios paint an encouraging picture of its operational efficiency and profitability over the years. Return on Assets, or ROA, began at 3.18% in 2015 and, after slight fluctuations in the early years, climbed steadily to reach 8.47% in 2023 before settling at 7.43% in 2024, reflecting the company's improving ability to generate profit from its asset base. Return on Equity, known as ROE, has been particularly impressive throughout this period. Starting at 24.24% in 2015, it peaked in the 2019 to 2021 range, hovering around 38%, which signals strong returns delivered to shareholders. By 2024, the ROE stood at 27.65%, which, while lower than its peak, still represents a healthy level of profitability relative to equity. The Cost of Risk, or COR, showed some variation across the years, ranging from around 1.21% to 3.26%, suggesting



that the company has maintained relatively controlled risk levels within its lending or operational portfolio. Meanwhile, net profit margin, though modest in absolute terms, gradually improved from 0.23% in 2015 to a peak of 0.39% in 2021, before returning to 0.30% in 2024, indicating stable underlying profitability. One of the more notable trends is the steady decline in the debt-to-equity ratio. After peaking at 7.60% in 2018, it has trended downward consistently, reaching 2.72% by 2024. This reduction suggests that the company has been progressively strengthening its balance sheet and reducing its reliance on debt financing relative to its equity base, which is generally a positive sign for long-term financial stability.

RESULTS

The longitudinal analysis of "Trastbank" PJSB's performance from 2015 to 2024 reveals a transformative growth trajectory, characterized by a shift from a niche financial entity to a major market player. The empirical data highlights several critical shifts in the bank's operational and financial structure.

First, the expansion of the asset base has been exponential. Starting from a modest 1.03 trillion UZS in 2015, the bank's total assets surpassed the 10 trillion UZS threshold by 2024. This growth was not merely inflationary but was backed by a strategic increase in equity, which rose from 135.09 billion UZS to nearly 3 trillion UZS. This indicates a high level of capital retention and investor confidence within the joint-stock framework.

Second, profitability dynamics show a sophisticated trend. The bank's ability to generate value for its shareholders is evidenced by the Return on Equity (ROE), which maintained an impressive range between 24% and 38%. A peak performance was observed in 2021 (38.97%), aligning with the broader liberalization of Uzbekistan's financial sector. Despite a slight normalization in 2024, the bank's net profit margin remained resilient, showcasing a successful transition toward high-yield commercial operations.

Finally, the risk profile and solvency indicators point toward a "de-risking" strategy. The Debt-to-Equity ratio, which stood at 7.60% in 2018, significantly declined to 2.72% by 2024. This structural shift demonstrates that the bank is increasingly financing its growth through internal reserves and equity rather than external borrowing, thereby strengthening its institutional resilience against market volatility.

DISCUSSION

The findings suggest that Trastbank's success is not an accidental byproduct of market growth, but a result of effective joint-stock management and strategic autonomy. While many state-owned commercial banks in Uzbekistan struggle with the "dual mandate" of social goals versus profitability, Trastbank has successfully prioritized commercial efficiency. The consistent decline in the Debt-to-Equity ratio is a point of particular interest. In traditional finance, a very low ratio might suggest under-leveraging; however, in Uzbekistan's evolving economy, this reflects a proactive approach to solvency and independence. By maintaining a strong equity cushion, the bank has insulated its shareholders from the systemic risks often associated with high external debt in emerging markets. Furthermore, the stability of the Cost-to-Revenue (COR) ratio, which fell to 1.36% in 2024, highlights a lean operational model. This suggests that the bank's corporate governance structure—defined by the clear separation of the Supervisory Board



and Management Board—has been effective in controlling overhead costs while scaling operations. This efficiency provides a competitive edge in a market where digital transformation and operational costs are becoming the primary battlegrounds for market share.

CONCLUSION

The strategic analysis of Private Joint-Stock Bank "Trastbank" reveals a distinctive evolutionary path within Uzbekistan's transforming financial ecosystem. Unlike many state-owned commercial banks (SOCBs) that remain tethered to government-directed lending, Trastbank has successfully leveraged its joint-stock structure to achieve a level of operational autonomy that translates directly into superior financial performance.

Capital as a Safeguard: The dramatic reduction in the Debt-to-Equity ratio (falling to 2.72% by 2024) indicates a conscious strategic pivot toward long-term solvency over short-term aggressive leverage. This "fortress balance sheet" approach distinguishes Trastbank as a low-risk institution capable of absorbing external macroeconomic shocks without compromising shareholder value. **Governance Efficiency:** The bank's ability to maintain high ROE and ROA metrics while exponentially growing its asset base to over 10 trillion UZS proves that its corporate governance model—marked by clear accountability between the Supervisory and Management Boards—is functioning effectively. This structural clarity has minimized the "dual mandate" friction often seen in the Uzbek banking sector, allowing for purely commercial and risk-weighted decision-making. **The Reinvestment Cycle:** The surge in Total Equity from 135 billion UZS to nearly 3 trillion UZS demonstrates a highly effective capital retention strategy. By prioritizing reinvestment, the bank has built a robust foundation for future digital expansion, moving away from a traditional banking model toward a modern, capital-heavy financial services provider.

In summary, Trastbank serves as a successful prototype for the privatization and modernization of the Uzbek banking industry. Its transition proves that the joint-stock model, when underpinned by transparency and a disciplined risk-to-reward ratio, provides a far more sustainable path for national financial stability than the traditional state-guaranteed banking framework.

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