IMPROVING THE KPI SYSTEM IN COMMERCIAL BANKS (THE CASE OF XALQ BANK)

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Abstract

Annotatsiya. Tezisda tijorat banklarida xodimlarning faoliyatini baholash uchun qo'llaniladigan KPI tizimini takomillashtirish masalalari Xalq banki misolida ko'rib chiqiladi. Amaldagi vaqtga asoslangan baholash yondashuvining cheklovlari tahlil qilinib, mahsulotlar vazni, kross-sotuv va mijozning uzoq muddatli qiymatini hisobga oluvchi ko'p o'lchamli model taklif etiladi.

Kalit so'zlar: *KPI, tijorat banklari, xodimlar samaradorligi, ko'p o'lchamli baholash, kross-sotuv, mijoz qiymati, Xalq banki.*

Аннотация. *В тезисе на примере Народного банка рассматриваются вопросы совершенствования системы KPI для оценки деятельности сотрудников коммерческих банков. Анализируются ограничения действующего подхода, основанного на учёте времени, и предлагается многомерная модель, учитывающая вес банковских продуктов, перекрёстные продажи и долгосрочную ценность клиента.*

Ключевые слова: *KPI, коммерческие банки, эффективность сотрудников, многомерная оценка, перекрёстные продажи, ценность клиента, Народный банк.*

This study addresses the topic "Improving the KPI System in Commercial Banks", examining methodological weaknesses in banks' employee evaluation systems and ways to overcome them through data-driven approaches. Xalq Bank was selected as the empirical basis, and the study examines the current state of KPI mechanisms in state-owned commercial banks, the limitations of a one-dimensional evaluation system and a proposed weighted multi-dimensional model.

Keywords: *KPI, employee performance, commercial banks, Balanced Scorecard, weighted KPI, time-based KPI, data management, performance management, motivation, cross-sell, BI dashboard, Customer Lifetime Value, Goodhart's law.*

The economic essence of the problem is as follows: since a bank employee sells several products at the same time, his or her true value to the bank should be

measured not by the gross number of sales or the time spent, but by product diversity, customer quality, long-term profitability and customer lifetime value (CLV).

An analysis of Xalq Bank's official KPI regulation for May 2026 shows that the current system is built entirely on a time-based approach: an employee is evaluated by the average number of hours of operations performed per day. Formula: R = Σ(A × B) / working days, where A is the number of operations performed and B is the standard time set for one operation. This approach does not fully take into account important strategic indicators – product diversification, cross-selling effectiveness, customer quality and long-term profitability.

The survey was conducted among 100 employees and 20 managers (120 in total). The survey results (n=100) showed that 71% of employees consider the system unfair (Adams, 1965), 78% report that cross-selling is not rewarded, and 74% do not understand how KPI scores are calculated. These indicators are interrelated: an incomprehensible system seems unfair and, according to Vroom (1964), weakens the expectancy (E) component.

The new model consists of three main layers: a product weight matrix, cross-sell and CLV bonuses, and automated calculation. Four criteria were taken into account in setting the weights: the bank's income margin, CLV, strategic priority and stickiness (the strength of customer retention).

$$W = (\Sigma P_i \times w_i) \times (1 + \beta_{cs}) \times (1 + \gamma_{clv})$$

where P_i is the number of units of product i; w_i is the strategic weight score of product i; βcs is the cross-sell coefficient (0, 0.20 or 0.35, depending on the variety of product types); γclv is the CLV bonus (0 or 0.15, based on 12-month customer activity).

Table 1. Weighted KPI model: simulation results

Indicator	Employee A	Employee B	Employee C (mixed)
Base total (without bonuses)	500 points	3,490 points	1,280 points
Total weighted KPI score	500 points	4,711.5 points	1,728 points
Current time-based KPI	High (39 hours)	High (≈52 hours)	Low (≈28 hours)
Ranking under the new weighted system	Low (3rd place)	High (1st place)	Medium (2nd place)

Source: simulated by the author.

The simulation shows that although under the current time-based system Employee A and Employee B are roughly equal, or Employee B even spends more time, there is a large difference in strategic value. The weighted system clearly reflects this difference and gives Employee B the right signal.

The analysis of Xalq Bank's official May 2026 KPI regulation clarified the problem further: the time-based formula (R = ΣA×B/day) cannot fully translate the bank's strategy into employee behaviour. The survey (n=120), interviews (n=20), the analysis of the official document and the simulation results all lead to one conclusion: the current system does not reflect employees' true strategic value and creates incentives in the wrong direction. The most important scientific contribution of the study is the empirical demonstration, based on a primary official document, of Goodhart's law in the KPI system of an Uzbek bank. This finding can also serve as practical guidance for the Central Bank in developing sector-level KPI standards.

References

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