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ASSESSING THE IMPACT OF REGIONAL BRANCH PERFORMANCE ON REVENUE GROWTH IN COMMERCIAL BANKS AND DIRECTIONS FOR ITS DEVELOPMENT

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Abstract

The thesis assessed how the regional service network of Uzbekistan's commercial banks contributed to revenue growth. Official Central Bank data on service points, income, and regional loans and deposits were used. Revenue growth was decomposed into network and revenue-per-point effects, and regional location quotients and deposit coverage were calculated. In 2023–2025 gross revenue rose from UZS 128.7 trillion to UZS 200.8 trillion and service points from 6,235 to 7,632. In 2024, 87% of growth came from higher revenue per point; in 2025, 91% came from network expansion. The credit and deposit base of regions outside the capital grew by 29.3% and supplied 46.8% of the total increase. A branch performance index and regional development directions were proposed.

Keywords: commercial banks, regional branches, bank revenue, service network, deposits, branch efficiency, Uzbekistan.

Annotatsiya

Tezisda O‘zbekiston tijorat banklarining hududiy xizmat ko‘rsatish tarmog‘i daromadlar o‘sishiga qanday hissa qo‘shgani baholandi. Markaziy bankning xizmat ko‘rsatish nuqtalari, daromadlar hamda hududiy kreditlar va depozitlar bo‘yicha rasmiy ma’lumotlaridan foydalanildi. Daromad o‘sishi tarmoq samarasi va bir xizmat nuqtasiga to‘g‘ri keladigan daromad samarasiga ajratildi, hududlar uchun lokalizatsiya koeffitsiyenti va depozit bilan qoplanish darajasi hisoblandi. 2023–2025-yillarda yalpi daromad 128,7 trln so‘mdan 200,8 trln so‘mga, xizmat nuqtalari 6 235 tadan 7 632 taga yetdi. 2024-yilda o‘sishning 87 foizi nuqta samaradorligidan, 2025-yilda 91 foizi tarmoq kengayishidan kelgan. Poytaxtdan tashqari hududlarda kredit va depozit bazasi 29,3 foizga o‘sdi va umumiy o‘sishning 46,8 foizini berdi. Filiallar faoliyatini baholash indeksi va hududiy rivojlantirish yo‘nalishlari taklif qilindi.

Kalit so‘zlar: tijorat banklari, hududiy filiallar, bank daromadi, xizmat ko‘rsatish tarmog‘i, depozitlar, filial samaradorligi, O‘zbekiston.

Аннотация

В тезисе была оценена роль региональной сети обслуживания коммерческих банков Узбекистана в росте их доходов. Были использованы официальные данные Центрального банка о точках обслуживания, доходах, а также о кредитах и депозитах по регионам. Прирост дохода был разложен на эффект сети и эффект дохода на одну точку обслуживания, для регионов были рассчитаны коэффициенты локализации и покрытия кредитов депозитами. В 2023–2025 гг. валовой доход вырос со 128,7 до 200,8 трлн сумов, а число точек обслуживания со 6 235 до 7 632. В 2024 г. 87% прироста было обеспечено ростом отдачи точки, в 2025 г. 91% пришлось на расширение сети. Кредитно-депозитная база регионов вне столицы выросла на 29,3% и дала 46,8% общего прироста. Были предложены индекс результативности филиала и направления регионального развития.

Ключевые слова: коммерческие банки, региональные филиалы, доход банка, сеть обслуживания, депозиты, эффективность филиалов, Узбекистан.

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INTRODUCTION

A bank branch in Karshi or Nukus collects local savings, knows which farmers and shopkeepers repay on time, and handles the cash and card payments of its district. When a bank decides where to open, merge or upgrade such points, it decides where its next revenue will come from. Uzbekistan's banks are now making these decisions at speed. Between 1 January 2024 and 1 January 2026 the number of commercial bank branches was consolidated from 696 to 288, while 24/7 self-service offices grew from 3,723 to 5,615 and banking service centres and mini-banks remained close to 1,700 [1] [2]. Over the same years gross banking revenue, the sum of interest and non-interest income, increased by more than half.

The reforms that opened the sector to competition and digital onboarding made this restructuring possible. This thesis asks three questions. RQ1: how much of recent revenue growth is explained by the size of the service network and how much by the revenue each point generates? RQ2: how unevenly is the regional credit and deposit base, on which branch revenue rests, distributed relative to population? RQ3: how can a bank measure the performance of an individual regional branch with indicators it already holds? The contribution is a decomposition built on official statistics and a branch performance index that a bank can apply to its internal data.

LITERATURE REVIEW

Physical presence and distance

Distance raises the cost of collecting soft information. Petersen and Rajan showed that lending distance in the United States grew with information technology, yet proximity still mattered for opaque borrowers [3]. Degryse and Ongena found on Belgian data that loan rates fall with the distance to the lending branch and rise with the distance to competitors, which gives a local branch pricing power [4]. Berger and DeYoung documented that technological progress allowed banks to control distant affiliates, so networks could widen without a loss of efficiency [5]. Closures confirm the point from the opposite side: Nguyen reported that branch closings reduced local small business lending for several years [6], and Bonfim, Nogueira and Ongena showed that firms whose branch closed paid higher loan rates when they moved to a new bank [7]. A regional branch is therefore a source of information rents that feed into interest income.

Branch efficiency and benchmarking

A second stream measures branch efficiency. Sherman and Gold were among the first to apply data envelopment analysis (DEA) to bank branches and found sizeable gaps between best-practice and average units [8]. Paradi and Zhu noted that results depend strongly on whether a production view (transactions) or an intermediation view (loans and deposits) is chosen [9]. Hirtle found no systematic link between network size and branch profitability, while mid-sized networks underperformed [10].

From branches to digital channels

The third stream follows the shift of routine services to remote channels. Xue, Hitt and Chen showed that customers who adopted internet banking increased the range of products they used and became more valuable to the bank, and that online customers were retained longer [11]. Ciciretti, Hasan and Zazzara found that traditional banks which integrated internet services showed better performance than those which did not [12]. Digital channels thus absorb transactions, while physical points concentrate on advice, lending and cash. To the author's knowledge, no study links the post-2023 restructuring of Uzbekistan's network to revenue.

METHODOLOGY

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Network and revenue data come from Tables 5.1.1 and 5.1.5 of the Central Bank statistical bulletins [1] [2]. Regional data are the Central Bank tables of total loans and deposits by region as of 1 April 2025 and 1 June 2026 [13] [14] and population on 1 January 2026 [15]. Branch-level revenue is not published, so the regional part uses the credit and deposit base from which branch revenue is earned. Gross revenue is decomposed as follows:

$$R_t=N_t\cdot\rho_t, \qquad \Delta\ln R_t=\Delta\ln N_t+\Delta\ln\rho_t \qquad (1)$$

where R_t is gross revenue (interest plus non-interest income) in year t, N_t is the number of service points at the end of the year (branches, service centres and mini-banks, 24/7 offices), and ρ_t is revenue per service point. The term $\Delta\ln N_t$ is the network effect and $\Delta\ln\rho_t$ is the productivity effect. In plain words, revenue grows either because there are more points or because each point earns more.

$$c_{k,t}=\frac{\Delta R_{k,t}}{\Delta R_t}\cdot 100 \qquad (2)$$

where $c_{k,t}$ is the contribution of income component k (interest or non-interest income) to revenue growth in year t, in per cent, and $\Delta R_{k,t}$ is the annual change in that component. Simply put, it shows whether new revenue came from lending or from fees.

$$LQ_r=\frac{L_r/L}{P_r/P} \qquad (3)$$

where LQ_r is the location quotient of loans in region r, L_r and L are regional and national loans, and P_r and P are regional and national population. The deposit quotient is built in the same way from deposits D_r. A value of 1 means the region holds exactly its population share; 0.3 means less than a third of it.

$$\kappa_r=\frac{D_r}{L_r}, \qquad s_r=\frac{\Delta B_r}{\Delta B}\cdot 100 \qquad (4)$$

where κ_r is the deposit coverage of loans in region r, s_r is the region's share of the national increase in the credit and deposit base $B_r=L_r+D_r$. In plain words, κ_r shows how far local savings finance local lending, and s_r how much new business each region generated.

ANALYSIS AND RESULTS

Network size and revenue per point

Table 1 combines the network and income series and applies equations (1) and (2).

The two years followed different growth paths. In 2024 the number of service points rose by only 3.5% as branches were consolidated, yet revenue grew by 29.7%; 86.7% of that growth came from higher revenue per point, which increased from UZS 20.65 billion to UZS 25.87 billion. In 2025 the order reversed: the network expanded by 18.2%, almost entirely through new 24/7 offices, and 90.8% of the 20.3% revenue growth is attributed to the network effect, while revenue per point rose only to UZS 26.31 billion. Non-interest income supplied 53.2% of the increase in 2025, against 34.2% a year earlier. In plain words, the consolidated network first became more productive, and then new self-service points added fee business. The series are nominal, so part of the productivity effect reflects price growth.

Table 1

Service network and revenue of Uzbekistan's banking system, 2023–2025[1]

Indicator	2023	2024	2025

[1] Source: Central Bank of the Republic of Uzbekistan, Statistical Bulletins, Tables 5.1.1 and 5.1.5 [1] [2]; author's calculation by equations (1) and (2). Network at the end of the year (1 January of the following year). Revenue = interest income + non-interest income, nominal.

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Indicator	2023	2024	2025
Commercial bank branches	696	288	288
Banking service centres and mini-banks	1,816	1,720	1,729
24/7 self-service offices	3,723	4,447	5,615
Service points, total (N)	6,235	6,455	7,632
Interest income, UZS trillion	86.7	111.9	127.7
Non-interest income, UZS trillion	42.1	55.1	73.1
Gross revenue (R), UZS trillion	128.7	167.0	200.8
Revenue per point (ρ), UZS billion	20.65	25.87	26.31
Revenue growth, %	–	29.7	20.3
Network effect, % of growth	–	13.3	90.8
Productivity effect, % of growth	–	86.7	9.2
Non-interest income in revenue increase, %	–	34.2	53.2

Regional credit and deposit base

Table 2 turns to the regions and applies equations (3) and (4) to the latest official data.

Table 2

Regional credit and deposit base of the banking system[2]

Region	Loans, UZS trn	Deposits, UZS trn	LQ loans	LQ deposits	κ = D/L	Growth of B, %	Shares, %
Karakalpakstan	21.5	8.6	0.63	0.35	0.40	33.8	3.5
Andijan	29.1	9.2	0.50	0.22	0.32	24.9	3.5
Bukhara	27.7	12.6	0.79	0.50	0.46	30.0	4.3
Jizzakh	20.7	3.7	0.79	0.20	0.18	11.9	1.2
Kashkadarya	29.8	9.4	0.48	0.21	0.32	35.3	4.7
Navoi	20.3	8.4	1.10	0.63	0.41	22.6	2.4
Namangan	23.3	4.7	0.44	0.12	0.20	34.6	3.3
Samarkand	32.8	13.3	0.45	0.25	0.41	32.1	5.1
Surkhandarya	24.2	6.4	0.48	0.18	0.27	27.8	3.1
Syrdarya	20.6	2.2	1.31	0.19	0.11	46.5	3.3
Tashkent region	30.0	9.2	0.57	0.24	0.31	18.3	2.8
Fergana	36.9	8.8	0.53	0.17	0.24	36.5	5.6
Khorezm	26.8	12.3	0.78	0.49	0.46	30.8	4.2
Tashkent city	292.3	351.6	5.53	9.18	1.20	22.1	53.2
Uzbekistan	636.0	460.6	1.00	1.00	0.72	24.9	100.0

Tashkent city holds 46.0% of loans and 76.3% of deposits with 8.3% of the population, which reflects the head offices and corporate accounts registered there. The thirteen other regions hold 91.7% of the population but 54.0% of loans and 23.7% of deposits. The more interesting result is dynamic.

[2] Source: Central Bank of the Republic of Uzbekistan, loans and deposits by region as of 1 April 2025 and 1 June 2026 [13] [14]; population on 1 January 2026 [15]; author's calculation by equations (3) and (4). Growth and share refer to B = loans + deposits between the two dates.

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Between April 2025 and June 2026 the credit and deposit base outside the capital grew by 29.3%, against 22.1% in Tashkent city, and these regions supplied 46.8% of the national increase. Fergana and Samarkand contributed the most, and Syrdarya grew fastest (46.5%). Deposit coverage remains the main gap: in every region outside the capital local deposits cover less than half of local loans, and in Syrdarya, Jizzakh and Namangan the ratio is 0.11–0.20. Simply put, regional branches already lend actively, but they have not yet turned local savings into funding. Regional deposits that replace wholesale funding raise the branch's net interest margin, so this gap is a revenue reserve.

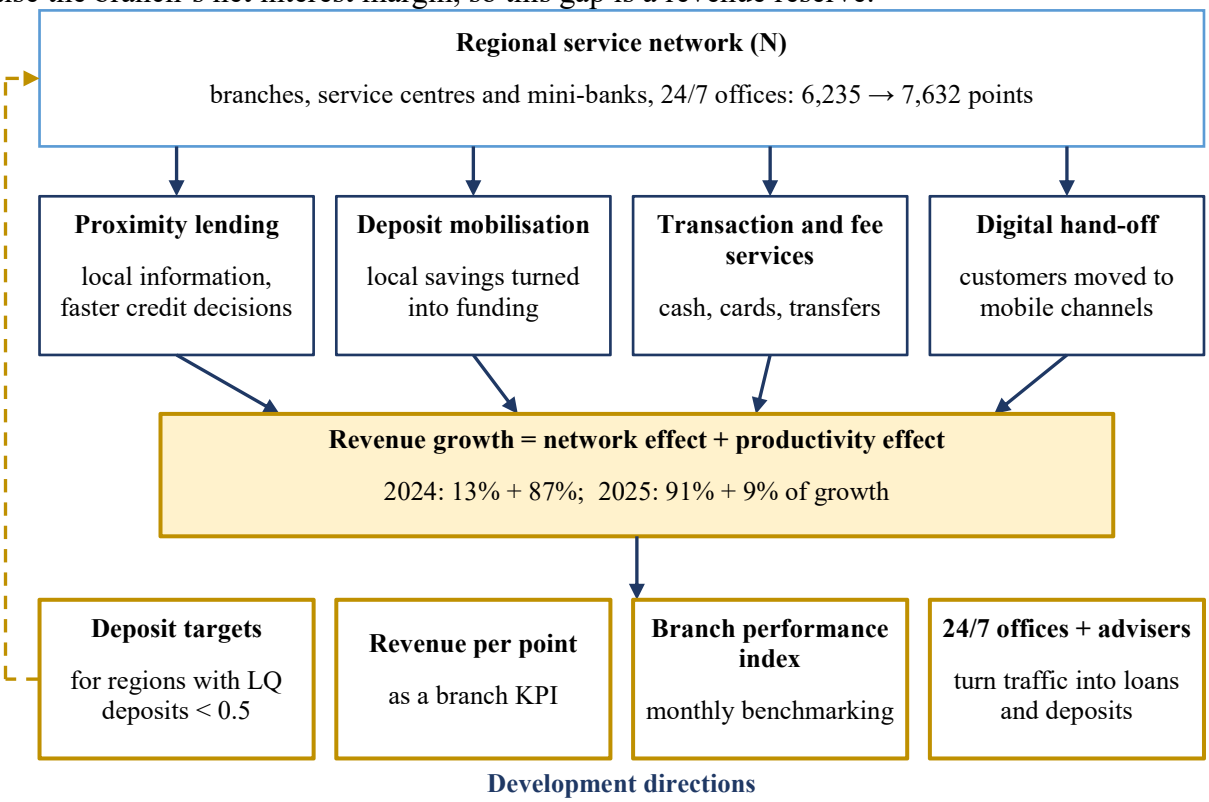


Figure 1. From the regional branch network to revenue growth and development directions[3]

Figure 1 summarises the mechanism. Service points work through four channels that shape both effects in equation (1), and the evidence above points to the development directions in the lower row. The dashed line marks the feedback loop: regional results inform the next decisions on where to place and how to equip service points.

Branch performance index

To support those decisions at bank level, the thesis proposes a branch performance index:

$$BPI_i = \sum_{j=1}^{m} w_j z_{ij}, \qquad z_{ij} = \frac{x_{ij} - x_j^{min}}{x_j^{max} - x_j^{min}} \quad (5)$$

where BPI_i is the index of branch i, x_{ij} is its value on indicator j, z_{ij} is that value rescaled to 0–1 across the bank's branches (reversed for costs), and w_j are weights summing to one over m indicators. A

[3] Source: Author's development based on [5]; [10]; [11] and Tables 1–2.

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practical set is m=4: revenue growth, deposit coverage κ, the share of branch customers active in mobile banking, and the cost-to-income ratio. As an illustrative (hypothetical) example with equal weights, branch A (revenue growth 18%, coverage 0.45, digital share 60%, cost-to-income 55%), branch B (25%, 0.30, 75%, 48%) and branch C (12%, 0.60, 40%, 62%) obtain indices of 0.51, 0.75 and 0.25. Branch C mobilises deposits well but lags in digital use and costs. In plain words, the index shows not only which branch is weaker but in what respect. Unlike DEA, it can be recalculated monthly without optimisation software [9].

CONCLUSION AND SUGGESTIONS

The thesis showed that Uzbekistan's banking network has moved from a branch-heavy to a mixed model without losing revenue momentum. Growth in 2024 rested on higher revenue per point after consolidation, and growth in 2025 on the expansion of 24/7 offices with a rising share of fee income. Regions outside the capital grew faster than Tashkent city and supplied almost half of the new credit and deposit base.

Four directions follow. First, regional branches can receive deposit targets alongside lending plans, with savings products adapted to local income cycles and priority for regions where the deposit quotient is below 0.5. Second, revenue per service point and deposit coverage can become standard indicators in branch reporting. Third, the branch performance index offers a simple monthly benchmark whose weights each bank can calibrate. Fourth, new 24/7 offices can be linked to advisers in nearby branches, so that self-service traffic turns into loans and deposits. Future research can estimate the index and a DEA model on internal branch data and test how regional deposit coverage translates into net interest margin.

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