ANALYSIS OF THE EFFICIENCY OF BANKS IN MONTENEGRO USING THE AHP

Svetlana Rakocevic
Faculty of Economics
University of Montenegro
Podgorica, Montenegro
E-mail: svetr@cg.ac.yu

Zdenka Dragasevic∗
Faculty of Economics
University of Montenegro
Podgorica, Montenegro
E-mail: zdenka@ac.me

ABSTRACT

Montenegro is a very small country, therefore it is very important for us to have strong banks and a strong financial sector, in general. We have experienced some difficulties in our financial sector during the nineties of XX century, but the banking reform that started in 2001 and intensified in 2002 and 2003, has been warmly welcomed by the international community.

Measurement of bank’s performances traditional is based on financial ratios, but still isn’t developed model that will in total satisfying needs for analysis and measure efficiency of banking business. Montenegrin’s low describing using CAMELS method for measurement bank’s performances. However, CAMELS method measure quantitative and qualitative ratios, but quantitative ratios are turn to qualitative ratios on personal judgment of decision maker about identify problems.

The article shows the multicriterial methods for ranking and comparing banks. The main model is based on AHP method; it’s used to compare Montenegrin banks, according to several criteria. Those criteria are quantitative and qualitative. Quantitative criteria are financial ratios, which are related to the performance of bank’s businesses. Qualitative criteria are characteristics used in the existing system for evaluation and supervision of banks. Criteria model determines their weights for each bank. As the end result, according to the date, the model gave rang list.

Keywords: evaluating the bank’s performance, financial ratios, AHP method, comparison of pairs.

* Corresponding author