E- Global Congress
Hosted online from Dubai, U. A. E., E - Conference.
Date: 30th September 2025
Website: https://eglobalcongress.com/index.php/egc
ISSN (E): 2836-3612

IMPROVING THE SYSTEM OF COST ACCOUNTING AND ITS STRATEGIC ANALYSIS IN BANKS

Haydarov Otayor Kholmurod o'g'li
Master's student of the Banking and Finance
Academy of the Republic of Uzbekistan

Kahharov Zuhriddin Zafarbek o'g'li
Scientific advisor, PhD

Cost accounting in banks has traditionally been perceived as an auxiliary function, primarily aimed at recording and monitoring operational expenses. However, in today's financial environment, where competition is intensifying and risks are becoming more complex, cost accounting must be transformed into a powerful management tool that supports strategic decision-making. The improvement of cost accounting systems provides banks with the opportunity to increase efficiency, optimize resource allocation, and ensure profitability in both the short and long term. This transformation reflects the global trend of shifting from traditional financial reporting to a more comprehensive approach known as strategic management accounting, which not only focuses on numbers but also on the long-term sustainability of banking institutions.

In banking practice, the limitations of traditional cost accounting methods are clearly visible. Conventional approaches often concentrate on aggregate expense control and short-term financial efficiency, while neglecting the detailed structure of service-related costs and their long-term implications. For example, traditional systems rarely provide accurate insights into the profitability of individual banking products, customer segments, or distribution channels. As a result, managers may struggle to identify which services generate sustainable value and which lead to hidden inefficiencies. This gap has given rise to the need for modern methods such as Activity-Based Costing (ABC), Target Costing, and Life-Cycle Costing (LCC), which allow banks to allocate costs more precisely and to connect them with strategic objectives (Horngren et al., 2021).

Strategic analysis of costs integrates cost data with broader managerial frameworks. The Balanced Scorecard approach is a particularly effective tool in this context, as it evaluates financial outcomes alongside non-financial indicators such as customer satisfaction, internal process efficiency, innovation, and human capital development (Kaplan & Norton, 2001). By using this integrated perspective, banks are able to view costs not merely as expenditures to be minimized, but as investments that can drive long-term competitiveness and sustainability. For instance, higher short-term costs related to digital transformation may initially reduce profitability, but strategically, they ensure greater efficiency, risk management capacity, and customer loyalty in the future.

The practical improvement of cost accounting systems in banks requires several interrelated steps. Firstly, automation and digitalization must be introduced in order to monitor costs in real time and to link them with profitability analysis. Secondly, cost information should be integrated with risk management tools to provide a holistic view of financial stability. Thirdly, banks should adopt advanced cost allocation techniques such as ABC, which enables the identification of the actual cost of particular services, products, or customer groups. Fourthly, strategic management accounting methods must be applied to link cost data with long-term objectives such as market expansion, innovation, and financial sustainability (Mishkin, 2019).

The difference between traditional and strategic approaches to cost accounting in banks can be illustrated in the following comparison:

Table 1. Traditional vs. Strategic Approaches to Cost Accounting in Banks

Aspect	Traditional Cost Accounting	Strategic Cost Analysis
Main focus	Short-term expense control	Long-term competitiveness
Applied methods	Simple cost allocation	ABC, Target Costing, LCC
Support for decisions	Operational efficiency	Strategic planning
Link with risk analysis	Weak	Strong
Role in innovation	Minimal	Substantial

Source: Kaplan & Norton (2001); Horngren et al. (2021).

The table demonstrates that while traditional cost accounting emphasizes short-term cost reduction and operational control, strategic cost analysis expands the perspective by considering long-term competitiveness, risk

ISSN (E): 2836-3612

management, and innovation. This broader view is especially relevant in banking, where the success of institutions depends not only on immediate financial results but also on their ability to adapt to rapidly changing environments, digital challenges, and customer expectations.

The integration of cost accounting with strategic analysis offers tangible benefits. Banks that apply these methods can more effectively allocate resources, identify profitable services, reduce hidden inefficiencies, and strengthen their market position. Moreover, by aligning cost structures with strategic objectives, management can make better decisions regarding investment, pricing, and risk control. This approach also increases transparency, which in turn enhances the confidence of regulators, investors, and customers.

In conclusion, improving the system of cost accounting in banks and combining it with strategic analysis ensures that costs are no longer viewed as passive expenditures but as strategic variables that shape the future of financial institutions. Through modern accounting methods, the application of performance measurement tools, and the adoption of digital technologies, banks can achieve not only operational efficiency but also long-term sustainability and competitiveness in the global financial system.

References

1. Horngren, C. T., Datar, S. M., & Rajan, M. V. (2021). Cost accounting: A managerial emphasis (17th ed.). Pearson.
2. Kaplan, R. S., & Norton, D. P. (2001). The strategy-focused organization: How balanced scorecard companies thrive in the new business environment. Harvard Business School Press.
3. Mishkin, F. S. (2019). The economics of money, banking, and financial markets (12th ed.). Pearson.