Performance Evaluation and Ranking of Turkish Private Banks Using AHP and TOPSIS

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Banks are one of the most important financial institutions in countries over the world. Banks managers have focused on productivity in order to increase their profitability.

A number of different approaches have been developed to deal explicitly with banks performance evaluation and ranking. Nowadays, several studies on bank performance used different criteria and various methodologies. Decision makers can use many techniques for solving in many areas after defining objective, criteria and alternatives, in their problems.

In this study, first AHP (Analytical Hierarchy Process) will be used to determine the weight of main criteria and sub criteria of totally 26 financial ratios, and then TOPSIS (Technique for Order Preference by Similarity to an Ideal Solution method) will be applied for ranking of private banks in Turkey.

AHP and TOPSIS are implemented to accomplish more ideal level of performance evaluation and to reveal the ranking of banks taking leading positions in the Turkish Banking Industry.

In this research, financial performance evaluation and ranking of private banks in Turkey for the period 2008-2013 using financial ratios of companies and applying the AHP model which was developed with the Expert Choice and banks ranked by TOPSIS method using weights of ratios obtained from AHP.

Keywords: AHP, TOPSIS, Turkish banking sector, financial ratios