



## **MODERN MECHANISMS FOR ENHANCING THE INVESTMENT ATTRACTIVENESS OF COMMERCIAL BANKS**

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<b>ABSTRACT</b>	<b>KEYWORDS</b>
<p>This article comprehensively examines modern mechanisms for enhancing the investment attractiveness of commercial banks, factors stimulating investment activity within the banking system, and directions for ensuring financial stability. The study analyzes the impact of capital adequacy, asset quality, profitability, liquidity indicators, digital banking services, and corporate governance systems on the investment attractiveness of commercial banks. Furthermore, based on international banking practices and the experience of developed countries, scientific and practical recommendations aimed at strengthening the investment potential of commercial banks in Uzbekistan are proposed. The research substantiates mechanisms designed to reduce investment risks, strengthen investor confidence, and improve the competitiveness of banks in international financial markets.</p>	<p>Commercial banks, investment attractiveness, investment activity, banking system, capital adequacy, financial stability, corporate governance, digital transformation, fintech technologies.</p>

### **Introduction**

The globalization of the world economy and the intensification of integration processes in international financial markets have significantly strengthened the role of commercial banks in economic development. In modern economies, commercial banks serve as major financial intermediaries by mobilizing investment resources, financing investment projects, and supporting various sectors of the economy, thereby contributing directly to economic growth [1].

In recent years, increasing competition in global financial markets has required banking systems to demonstrate higher levels of financial stability, transparency, and operational efficiency. Consequently, enhancing the investment attractiveness of commercial banks has become not only a microeconomic issue but also a matter of macroeconomic importance, as the investment attractiveness of banks directly affects the overall investment climate, financial security, and international ratings of a country [2].

The investment attractiveness of commercial banks refers to their financial reliability, stability, profitability, and ability to generate sustainable returns for investors in the long term. This attractiveness is determined by several indicators, including capital adequacy, asset quality, liquidity level, corporate governance efficiency, the implementation of digital technologies, and compliance with international standards [3].

Uzbekistan has recently implemented large-scale reforms aimed at modernizing the banking system. These reforms include transforming the banking sector, reducing state ownership, digitalizing banking

services, and strengthening integration into international financial markets [4]. However, some commercial banks still face challenges such as a high share of non-performing loans, underdeveloped risk management systems, and insufficient corporate governance efficiency, all of which negatively affect their investment attractiveness [5].

The primary objective of this article is to investigate modern mechanisms for improving the investment attractiveness of commercial banks and to develop scientific and practical recommendations for their enhancement.

## RESEARCH METHODOLOGY

The study employed a combination of methodological approaches, including economic-statistical analysis, dynamic analysis, grouping, comparative analysis, logical-economic reasoning, and system-based analysis. These methods allowed for a comprehensive assessment of the investment attractiveness of commercial banks and ensured a multi-dimensional evaluation of financial stability, efficiency, and development trends within the banking sector.

The research was based on a wide range of reliable data sources, including statistical materials and official publications of the Central Bank of Uzbekistan, analytical reports of international financial institutions, scientific journals, audited financial statements of commercial banks, as well as relevant regulatory and legal documents governing the banking sector [6]. The use of diversified data sources contributed to the accuracy, reliability, and objectivity of the findings.

During the research process, the following key performance indicators of commercial banks were analyzed in detail:

- capital adequacy ratio, reflecting the financial resilience and ability of banks to absorb potential losses;
- investment loan volume, characterizing the scale of financing directed toward long-term economic development projects;
- share of non-performing loans (NPLs), indicating the level of credit risk and asset quality deterioration;
- asset quality indicators, assessing the structure, diversification, and risk level of bank assets;
- profitability indicators such as Return on Assets (ROA) and Return on Equity (ROE), measuring the efficiency of resource utilization and overall financial performance;
- liquidity ratios, reflecting the ability of banks to meet short-term obligations and maintain financial stability;
- share of digital banking services, indicating the level of technological transformation and innovation in banking operations;
- international credit ratings, serving as an external assessment of the banks' financial credibility and investment attractiveness.

In addition, selected components of the internationally recognized CAMELS rating system were applied to provide a more structured and standardized evaluation of commercial banks' financial soundness and investment potential [7]. This framework enabled the integration of capital adequacy, asset quality, management efficiency, earnings capacity, liquidity position, and sensitivity to market risk into a unified analytical model, thereby enhancing the depth and comparability of the research results.

RESULTS AND ANALYSIS

Table 1 Main Factors Affecting the Investment Attractiveness of Commercial Banks

No	Factors	Impact Level	Impact on Investment Attractiveness
1	Capital adequacy	High	Ensures financial security for investors
2	Asset quality	High	Reduces the share of non-performing loans
3	Liquidity level	Medium	Increases banks' payment capacity
4	Digital banking services	High	Improves operational efficiency
5	International ratings	High	Strengthens investor confidence
6	Quality of corporate governance	High	Ensures transparency
7	Risk management system	High	Minimizes financial risks

The data presented in Table 1 indicate that capital adequacy and asset quality are among the most important determinants of the investment attractiveness of commercial banks. Investors particularly focus on long-term financial stability and the ability of banks to manage risks effectively [8].

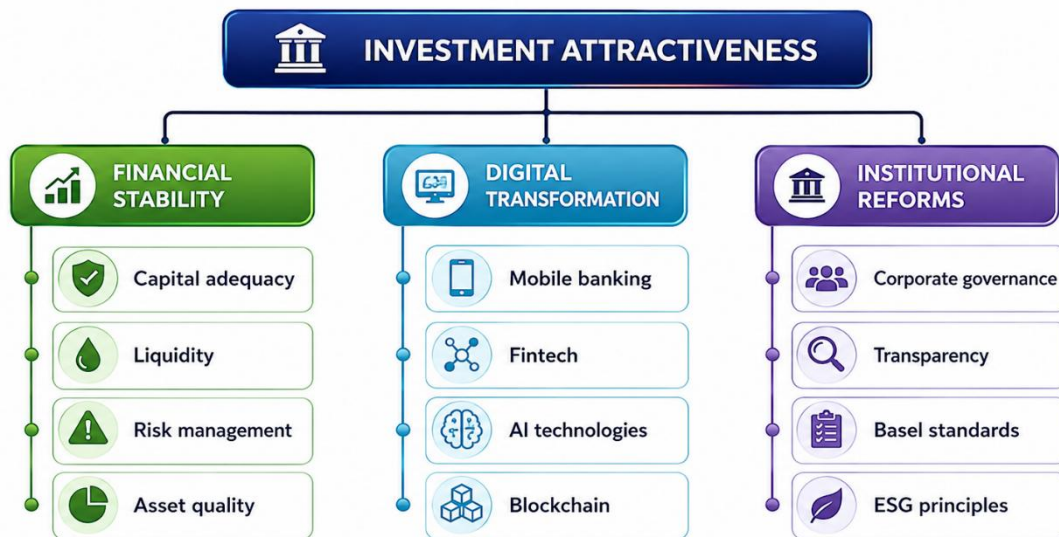


Figure 1. Mechanisms for Enhancing the Investment Attractiveness of Commercial Banks

The mechanisms illustrated above contribute to strengthening the financial stability of commercial banks, increasing investor confidence, and improving their competitiveness in international financial markets [9].

Table 2 Investment Activity Indicators of Commercial Banks in Uzbekistan

Years	Investment Loans (trillion UZS)	Non-performing Loans (%)	ROA (%)	Capital Adequacy (%)
2021	45.2	5.3	1.5	16.8
2022	57.4	4.9	1.8	17.2
2023	71.6	4.2	2.1	17.9
2024	86.3	3.8	2.4	18.5

Source: Compiled by the author based on data from the Central Bank of Uzbekistan and commercial bank reports.

The data in Table 2 demonstrate that the volume of investment loans issued by commercial banks increased significantly from 45.2 trillion UZS in 2021 to 86.3 trillion UZS in 2024. This indicates a substantial expansion of banks' investment activities. At the same time, the reduction in non-performing loans from 5.3% to 3.8% reflects improvements in credit risk management systems [10]. The increase in ROA from 1.5% to 2.4% indicates enhanced profitability and operational efficiency of commercial banks. Furthermore, the rise in capital adequacy ratios demonstrates improved financial security and reliability of the banking system for investors [11].

**Table 3 Modern Mechanisms for Enhancing the Investment Attractiveness of Commercial Banks**

Mechanisms	Implementation Directions	Expected Outcomes
Introduction of ESG banking	Green financing programs	Growth of foreign investments
Development of fintech technologies	Mobile banking and AI systems	Reduction of operational costs
Improvement of corporate governance	Transparent management system	Increased investor confidence
Strengthening risk management	Credit monitoring systems	Reduction of financial risks
Improvement of international ratings	Implementation of Basel III standards	Enhancement of international image

The implementation of these mechanisms will strengthen the investment potential of commercial banks and increase their competitiveness in global financial markets [12].

**DISCUSSION**

International practice demonstrates that in developed countries the investment attractiveness of banking systems is largely ensured through innovative technologies, ESG principles, and effective corporate governance. In particular, JPMorgan Chase, HSBC, and Deutsche Bank have successfully increased their investment attractiveness through the active implementation of fintech technologies and artificial intelligence-based services [13].

Uzbekistan is also actively implementing banking sector modernization and digital transformation reforms. Nevertheless, several issues remain unresolved in some commercial banks:

- a relatively high share of non-performing loans;
- existing liquidity risks;
- insufficient compliance with international standards;
- underdeveloped corporate governance systems.

Therefore, enhancing the investment attractiveness of commercial banks requires:

- broader implementation of ESG principles;
- expansion of digital banking services;
- adoption of AI-based risk management systems;
- improvement of international credit ratings;
- establishment of transparent information platforms for investors [14].

## CONCLUSION

The findings of this study reveal that capital adequacy, asset quality, financial stability, digital transformation, and corporate governance are the key factors determining the investment attractiveness of commercial banks. In particular, the implementation of innovative technologies and effective risk management systems significantly contributes to increasing investment activity.

Based on the research findings, the following scientific and practical recommendations were developed:

1. Broader implementation of ESG standards in commercial banks;
2. Development of AI-based risk management systems;
3. Expansion of digital banking services;
4. Strengthening corporate governance efficiency;
5. Full implementation of Basel III standards;
6. Ensuring financial transparency for foreign investors.

The practical implementation of these recommendations will improve the competitiveness of commercial banks in international financial markets, strengthen their investment attractiveness, and contribute to sustainable economic growth.

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