



SCIENTIFIC AND THEORETICAL FOUNDATIONS FOR ENHANCING THE INVESTMENT ATTRACTIVENESS OF COMMERCIAL BANKS

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The development of commercial banks' activities is an integral condition for creating a sustainable market mechanism. The process of changes in the economy began precisely with the reform of the banking system, and to this day, the sector continues to develop at a significant pace. The banking system is one of the most important and inseparable parts of the national economy. The history of banks and commodity–money relations are closely intertwined, evolving together over time. Under modern conditions, commercial banks act as the central link in business practice, being the oldest and most widespread credit institutions that provide the majority of financial operations and services.

A number of scholars have conducted research devoted to the investment activities of commercial banks in the securities market. For example, K.T. Liaw studied the investment instruments of banks in the securities market and divided them into two main classes: (1) money market instruments; (2) capital market instruments. He proposed attracting bills of exchange and bonds as the main directions of investment activity [1].

C.W. Smith, in his scientific works, analyzed direct investments and portfolio investments, recommending the attraction of direct investments through securities as well as the formation of an investment portfolio [2].

O. Lavrushin, in order to improve the investment activities of commercial banks in the securities market, suggested two main ways of establishing investment banks:

- a) direct placement and sale of securities;
- b) organizing investment activities through long-term lending [3].

E. Nasirov studied the factors affecting the investment activities of commercial banks, identifying the most important ones as the violation of investors' rights and interests, and the insufficient formation of principles for enhancing the role of commercial banks in the securities market [4].

The essence of the definition is that while the main goal of commercial banks is to generate income, this income is inherently associated with significant risk, which inevitably persists. Thus, investment activity in the securities market enables banks to increase long-term income, but the risk level remains consistently high.

Commercial banks are an essential element of the modern economy, operating not only through accepting deposits and issuing loans but also by carrying out investment activities on a broad scale. Investment activity serves as a source of income for commercial banks and plays a key role in ensuring the stability of the banking

system. Therefore, an in-depth study of the theoretical and scientific foundations of commercial banks' investment activities is considered a requirement of today.

Table 1
Theoretical Scheme of Investment Activity of Commercial Banks [5]

Title	Description
Sources of investment activity	– own funds (capital, reserves); – client deposits; – foreign investments; – credit resources.
Investment instruments	– money market instruments (bills of exchange, deposit certificates, short-term bonds); – capital market instruments (shares, long-term bonds); – direct investments; – portfolio investments.
Types of investment activity	– purchase and sale of securities; – formation of an investment portfolio; – investment support through lending; – long-term financing.
Risk management	– risk assessment; – diversification; – liquidity control; – reduction of credit and market risks.
Results and objectives	– income generation; – capital growth; – ensuring economic stability; – strengthening the bank's market position.
Influencing factors	– economic environment; – legislation and regulators; – market conditions; – innovations and technologies.

The investment activities of commercial banks are based on the use of various sources — own capital, client deposits, foreign investments, and credit resources. In this process, banks extensively utilize money market and capital market instruments, such as bills of exchange, bonds, and shares. Among the types of investment activity, the purchase of securities, formation of investment portfolios, and long-term lending hold an important place.

To manage risks arising in banking operations, it is necessary to conduct risk assessment, implement diversification, and maintain liquidity control. The main objectives of investment activity are to increase bank income, grow capital, and ensure economic stability. At the same time, economic conditions, legislation, market factors, and technological innovations have a significant impact on the investment activities of banks. Considering these factors, commercial banks must continuously improve their investment strategies.

Investment activity refers to the process by which banks direct long-term and short-term financial resources into securities, property, and other investment instruments. This process plays an important role in developing the real sector of the economy, introducing innovations, and strengthening market infrastructure. Therefore, investment activity occupies a special place in the general strategic planning system of banks.

From a theoretical perspective, the investment activity of commercial banks consists of two main components — lending and investment management. Lending is seen as the bank's credit-providing function, while investment refers to the effective placement of the bank's own assets, particularly in the securities market or other investment projects. These two processes complement each other and help maintain balance in the bank's risk management system [6].

The investment activity of commercial banks is an important element of modern financial markets and plays a major role in ensuring their overall financial stability. The investment activity of banks not only serves to generate income but also acts as an important tool in developing the economy, strengthening financial infrastructure, and introducing innovations.

For the effective organization of investment activities, banks need to properly allocate their resources, apply various investment instruments, and manage risks effectively. At the same time, the economic environment, legislation, market conditions, and technological innovations significantly influence the investment strategies of banks.

Therefore, improving the investment activities of commercial banks and making them more effective requires the development of scientific research, theoretical foundations, and practical approaches. This process will enhance the stability of banks' operations, attract additional investments to the economy, and strengthen competitiveness in financial markets.

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