



DIGITAL BANKING INNOVATIONS AS DRIVERS OF COMMERCIAL BANKS' INVESTMENT ATTRACTIVENESS

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Abstract. This research thesis examines ways to enhance the investment attractiveness of commercial banks through digital banking innovations. The adoption of digital technologies has become a major factor in improving the quality of financial services, lowering operating costs, expanding customer outreach, ensuring information transparency, and strengthening investor confidence. Mobile and internet banking, automated credit scoring, artificial intelligence, big data, and electronic payment systems contribute to banks' competitiveness and investment attractiveness. The study analyzes the effects of digital innovation on commercial banks' investment attractiveness, identifies existing challenges, and discusses possible solutions.

Keywords: commercial banks, investment attractiveness, digital transformation, digital banking, mobile banking, fintech, artificial intelligence, big data, credit scoring, electronic payments, investor confidence.

In a market economy, commercial banks are a vital component of a country's financial system. They mobilize the available funds of households and businesses, transform those resources into loans and investments, and contribute to economic growth by financing the real sector. Accordingly, the stability, competitiveness, and investment attractiveness of commercial banks are important for improving the national investment climate.

At present, digital transformation is emerging as a major driver of commercial banks' investment attractiveness. Digital transformation is the process of introducing modern information and communication technologies, digital platforms, automated management systems, and innovative financial services across banking operations. It fundamentally changes how banks engage with customers, extend credit, manage risks, and exchange information with investors.

When investing in commercial banks, investors assess not only financial indicators but also technological maturity, service quality, cost efficiency, information transparency, and long-term growth potential. Banks that actively introduce digital technologies may therefore be perceived as modern, reliable, and promising financial institutions.

In theories of economic development, innovation is regarded as an important factor in the progress of financial institutions. In particular, J. Schumpeter emphasized

that innovation is a primary driving force of economic growth [1]. The adoption of digital technologies in banking is a practical manifestation of innovation-led development that can strengthen banks' investment potential.

The investment attractiveness of a commercial bank comprises financial, organizational, technological, and institutional factors that determine whether investing in the bank is worthwhile. It is reflected in the bank's financial soundness, profitability, asset quality, capital adequacy, corporate governance, transparency, and level of innovative development.

According to financial intermediation theory, banks allocate capital throughout the economy by transforming savings into investments [2]. From this perspective, banks' investment attractiveness depends not only on their ability to increase their own capital but also on their capacity to expand investment flows into the economy. Digital transformation can accelerate this process and improve operational efficiency.

Digital transformation affects commercial banks' investment attractiveness through several channels. First, digital technologies make banking services faster and more convenient. Mobile and internet banking, online deposits, remote lending, and electronic payments enable customers to use a broad range of services without visiting a branch. This can increase the customer base, expand funding resources, and support revenue growth.

Second, digital transformation enhances banks' operational efficiency. Processes that traditionally require considerable time and expenditure can be completed more quickly and at lower cost through automation. Electronic document management, automated payments, digital identification, and remote services reduce the workload of bank branches. Lower operating costs can improve profitability, a key consideration for investors.

Third, digital technologies improve the quality of risk management. Automated credit scoring, artificial intelligence, and big-data technologies allow banks to assess borrowers' repayment capacity in greater depth. These tools can help improve loan portfolio quality, reduce the share of non-performing loans, and support asset stability. Effective risk management creates a more reliable investment environment [3].

Fourth, digital transformation improves information transparency. Investors seek timely and accurate information about banks' operations, financial performance, risks, strategies, and investment products. Digital platforms, online reporting, dedicated investor-relations pages, and automated databases can make banks more open. Transparency is one of the central prerequisites of investment attractiveness.

Fifth, digital banking services promote financial inclusion. Residents of remote areas, small businesses, and sole proprietors can access financial services without visiting a bank branch. This brings new customers into the banking system, expands deposit and lending operations, and can increase banks' market shares.

In the digital economy, data are becoming a strategic resource for banks. Big-data technologies are widely used to analyze customer behavior, assess credit risks, develop new products, and formulate investment strategies. D. Tapscott argues that information and technology fundamentally transform business models in the digital economy [4]. This observation is directly relevant to banking: digital technologies can contribute to banks' market value and investment attractiveness.

The influence of digital transformation on commercial banks' investment attractiveness can be illustrated by the following conceptual model.

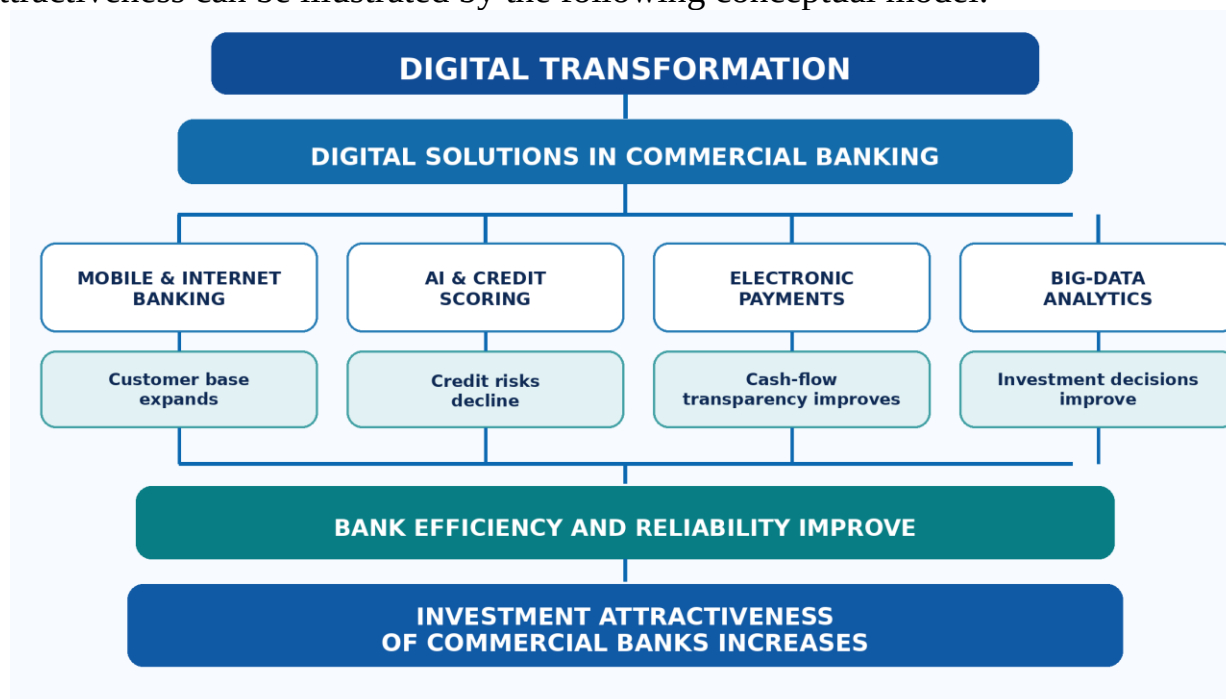


Figure 1. Model of enhancing commercial banks' investment attractiveness through digital transformation[1,2,4,6]

The figure shows that digital transformation affects banks' investment attractiveness in stages. Initially, digital solutions are introduced into banking operations. Subsequently, mobile banking, artificial intelligence, electronic payments, and big-data analytics help increase the number of customers, reduce credit risks, improve cash-flow transparency, and enhance the quality of investment decisions. As a result, bank efficiency, reliability, and market competitiveness improve, ultimately strengthening investment attractiveness.

Digital transformation also improves the quality of customer service at commercial banks. The faster, more convenient, and more secure banking services become, the greater the potential for customer confidence. Ease of access can influence deposit volumes, demand for loan products, and overall bank revenues. Investors interpret these factors as indicators of a bank's future growth potential.

Credit scoring plays a particularly important role in making banks more attractive to investors. Conventional credit analysis can be time-consuming and may sometimes result in subjective decisions. Automated scoring enables a more consistent assessment based on customers' income, credit histories, payment discipline, transactions, and other information. This helps improve portfolio quality and reduce the bank's investment risk.

Artificial intelligence also helps optimize decision-making within banks. It can be applied to anticipate customer needs, detect fraud, monitor risky transactions, and evaluate investment projects. A. Saunders and M. Cornett emphasize that risk management is a central condition of financial stability [5]. AI-based risk analytics can therefore be an important instrument for enhancing commercial banks' investment attractiveness.

Nevertheless, digital transformation is associated with several challenges. The first is the uneven development of digital infrastructure across regions. In areas where internet quality is low or access to digital devices is limited, opportunities to use digital banking services may be restricted.

The second challenge concerns cybersecurity risks. As banks expand their digital services, protecting customer data, preventing fraud, and ensuring the security of information systems become essential. Banks with weak cybersecurity may be viewed by investors as higher-risk institutions.

The third challenge relates to digital literacy among bank employees and customers. Digital transformation entails more than purchasing technologies: it also requires effective management and a culture of appropriate use. Bank staff need adequate skills in data analytics, digital service delivery, information security, and remote customer engagement.

The fourth challenge is the insufficient development of cooperation mechanisms with fintech companies. Fintech firms can provide banks with new services, instant payment solutions, digital lending tools, and innovative analytics. Effective cooperation with such firms may further enhance banks' investment attractiveness.

The fifth challenge is the high cost of digital transformation. Modern software, information-security systems, server infrastructure, and qualified specialists require substantial investment. In the longer term, however, these expenditures may positively affect banking efficiency, customer acquisition, and revenue.

Digital transformation should be regarded as a strategic factor in improving commercial banks' investment attractiveness. Banks with digital capabilities can adapt more quickly to customer needs, respond to market developments, and make data-driven decisions. For investors, these abilities indicate the potential for sustainable bank development.

Under digital transformation, commercial banks' investment attractiveness is determined not only by financial indicators but also by technological development, innovative services, information transparency, and the quality of risk management. Digital technologies can make services faster, more accessible, and less expensive, widen customer coverage, reduce operating costs, and reinforce investor confidence.

The analysis suggests that mobile banking, internet banking, electronic payments, artificial intelligence, big data, and automated credit scoring can positively influence commercial banks' investment attractiveness. At the same time, cybersecurity, digital infrastructure, workforce capabilities, and digital literacy remain pressing concerns.

The following recommendations can be proposed to strengthen the investment attractiveness of commercial banks.

First, banks should further improve the quality of mobile banking, internet banking, and other remote services. This will broaden customer outreach and strengthen their funding base.

Second, the use of automated credit scoring, big-data analytics, and artificial intelligence should be expanded. These technologies can reduce credit risks and improve the quality of investment decisions.

Third, banks should reinforce their cybersecurity systems. To build investor confidence, customer information and banking information systems must be reliably protected.

Fourth, it is advisable to develop employees' digital skills and improve customers' digital literacy. This will enable more effective use of digital services.

Fifth, banks should expand cooperation with fintech companies. Such partnerships can support the development of innovative financial products and improve banks' competitiveness.

Overall, digital transformation is a major factor in enhancing the investment attractiveness of commercial banks. Its effective implementation can strengthen financial stability, increase investor confidence, and expand the flow of investment into the economy.

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