

Assessment of the investment attractiveness of private joint-stock commercial banks

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Abstract, This article studies scientific views on assessing the investment attractiveness of private commercial banks using the CAMELS method, assesses the investment attractiveness of private commercial banks operating in Uzbekistan, and analyzes the results.

Keywords: investment attractiveness, private joint-stock commercial banks, Camels method, capital adequacy, assets quality

INTRODUCTION. In recent years, the rapid reforms that have been underway in the banking and financial system are primarily reflected in the widespread introduction of modern market mechanisms into the sector. In turn, for many years, the bulk of the capital of banks has belonged to the state. This has been an obstacle to healthy competition in the banking sector and has had a negative impact on the quality of service provision. Consequently, in recent years, important institutional changes have been implemented aimed at expanding the activities of banks, especially their participation in investment processes. On the instructions of the Head of State, the government and the Central Bank, with the support of international financial institutions, are developing a long-term strategy for the development of the banking and financial system. After all, on this basis, private and foreign capital is entering the banking system. Ultimately, the share of state-owned banks will gradually decrease and will serve to improve the competitive environment in the sector, comprehensively increase the activities of commercial banks, the quality and culture of lending, especially their investment activity. In this regard, special attention is paid to the development of financial markets, including the stock market, the further expansion of the range of banking services through the introduction of new financial instruments and the issuance of bonds, and the development of the banking system based on advanced information technologies. Broad and favorable conditions are being created for investors. The first step on this path is, of course, the liberalization of the foreign exchange market. It is these factors that are driving the increase in the efficiency of investment activities of commercial banks and the improvement of their institutional framework.

LITERATURE REVIEW.

The assessment of investment attractiveness in commercial banks has been studied by many researchers and scholars. Researchers Ravan Abuzarqa and Tibor Tarnoczi analyzed the stability of local commercial banks in Qatar and Kuwait using the CAMELS model in their research[1]. In a research paper conducted by Preeti Kulshrestha and Anubha Srivastava, they conducted an analysis of the sharp differences in performance between private sector and public sector banks in India using CAMEL rating methods. The study collected data from the annual reports of 14 banks, including 7 private and 7 public sector banks, covering eight financial years (2011-2018) for the study. These banks were deliberately selected as they had submitted complete financial statements for the study period. The rationale for selecting only seven banks from the relevant sector is that they are the best performing large banks and have the highest market capitalization in the Indian capital market, with a significant increase in NPAs in recent years. A total of 19 ratios were calculated based on the CAMEL rating system abbreviations[2].

ANALYSIS AND RESULTS.

According to the CAMELS method, the capital adequacy ratio of private commercial banks should first be analyzed.

Table 1

Capital adequacy ratio of commercial banks, 2019-2023[3]

Capital adequacy ratio of private banks, in percent					
Kapital bank	14,02	14,63	15,3	15,56	15,98
Hamkorbank	16,3	16,6	16,4	16,7	16,5
Ipak yo'li banki	13,66	16,24	16,02	15,87	16,31
Trastbank	14,59	16,17	15,94	15,68	16,8

Among the selected private banks, this ratio has been showing stable results in Hamkorbank. In Hamkorbank, this ratio has averaged 16.5 percent over the past five years. This is much higher than the minimum requirement set by the Central Bank. Private commercial banks such as Kapital Bank, Ipak Yuli Bank, and Trustbank also have good results in terms of capital adequacy, but do not reflect stable interest rates. The results of the selected private joint-stock commercial banks based on the analysis of the capital adequacy ratio of the CAMELS method can be assessed positively. Another component of assessing investment attractiveness using the CAMELS method is asset quality assessment. Asset quality analysis is an important component of assessing the financial condition and performance of banks. Analysis of problem loans is important in assessing asset quality.

Table 2

Xususiy tijorat banklari muammoli kreditlari tahlili(2019-2023-yillar holatiga, mlrd.so'm)[4]

	2019	2020	2021	2022	2023
Kapital bank					
Total credits	3002	4455	8030	15408	26586
NPL	17	41	235	181	375
Share of NPL in total credits	0,6%%	0,9%%	2,9%%	1,20%	1,40%
Hamkorbank					
Total creditsr	6162	7249	9334	11423	15854

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NPL	221	252	105	67	99
Share of NPL in total credits	3,6%%	3,50%	1,10%	0,60%	0,60%
Ipak yo'li banki					
Total credits	4045	4947	6422	8065	11701
NPL	91	156	223	151	251
Share of NPL in total credits	2,30%	3,10%	3,50%	1,90%	2,10%
Trastbank					
Total credits	1788	2243	2744	3496	4947
NPL	30	51	51	132	101
Share of NPL in total credits	1,7%%	2,30%	1,80%	3,80%	2,00%

The table above shows an analysis of problem loans of private commercial banks. The share of problem loans in all selected private banks is relatively low. The share of problem loans in Hakorbank has shown a decreasing trend over the last five years, and was 3.6 percent, 3.5 percent, 1.1 percent, 0.6 percent, and finally 0.6 percent in 2023. When assessed using the Camels method, private commercial banks can be given a positive assessment in terms of the share of problem loans. Another component of the assessment of investment attractiveness of commercial banks using the CAMELS method is the assessment of corporate governance in commercial banks. The assessment of the corporate governance system of the private joint-stock bank "Trustbank" for the year 2023 was carried out by "PREMIUM FINANCE" LLC. One of the main objectives of the assessment is to form an independent objective opinion on the state of the corporate governance system in the private joint-stock bank "Trustbank". The assessment of the corporate governance system of this bank was carried out on the basis of the Questionnaire approved by the State Competition Committee of the Republic of Uzbekistan and the Scientific and Educational Center for Corporate Governance on July 25, 2016. Table 3

Results of the assessment of the management system of the private joint-stock commercial bank "Trustbank" (as of the end of 2022)[5]

№	Directions		Points
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		Number of questions	Maximum	Real price	Percentage (%) of the maximum price
1	Assessment of the preparation process for the implementation of the corporate governance code	13	135	135	100%
2	Assessing compliance with the recommendations of the Corporate Governance Code	37	360	330	92%
3	Assessing the suitability of the organizational structure of a commercial bank	3	30	30	100%
4	Evaluating selection for positions	5	45	-5	-11%
5	Assessing the transition of reports to IFRS and IAS	3	50	50	100%
6	Assessing the implementation of modern management systems	5	55	45	82%
7	Information policy evaluation	5	320	273	85%
8	Evaluation of financial results	4	150	125	83%
9	Evaluation of other directions	25	55	55	100%
Total		100	1200	1038	86.50%

According to the results of the assessment of the corporate governance system, the actual score of the corporate governance system of the private joint-stock bank "Trustbank" was 1038 points, or 86.50% in percentage terms. "PREMIUM FINANCE" LLC gave the company's corporate governance system a "High" rating.

Now, combining all the analyzed components of the CAMELS method, we can create the following table for private joint-stock commercial banks in demand:
Table 4

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Results of the analysis of the assessment of the investment attractiveness of private joint-stock commercial banks using the CAMELS method[4]¹

Banks	Capital adequacy	Asset quality	Corporate governance	Profitability	Likvidlilik	Risk sensitivity	Result
Kapitalbank	2	2	2	2	3	2	O'rtacha
Hamkorbank	2	2	3	2	3	2	O'rtacha
Ipak yo'li banki	3	2	2	2	3	2	O'rtacha
Trastbank	3	2	2	2	3	2	O'rtacha

According to the results of the assessment of the investment attractiveness of private joint-stock commercial banks based on the Camels method, all selected banks, in particular Kapitalbank, Hamkorbank, Ipak Yuli Bank and Trustbank, recorded an average result, that is, they are financially sound, but there are minor shortcomings in some areas. The results of the analysis show that the investment attractiveness of private banks in our country is higher than that of state-owned banks.

Another aspect that should be considered when analyzing investment attractiveness is the analysis of deposits of commercial banks. Table 5

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Analysis of deposit volumes of private joint-stock commercial banks by year[6]

Banks	2019	2020	2021	2022	2023
Kapitalbank	4004	6052	13180	24225	30102
Hamkorbank	3178	3527	4416	6902	7971
Ipak yo'li banki	1907	2932	4283	6588	7991
Trastbank	2757	3672	5448	6293	6743

All selected private joint-stock commercial banks showed an increase in the volume of deposits in 2019-2023. Among private banks, Kapital Bank achieved the best result in terms of deposit volume and amounted to 4004, 6052, 13180, 24225, 30125 billion soums, respectively, over the years. One of the factors affecting the growth of deposits in commercial banks is the increase in the volume of remote online transactions of individuals through banks' mobile applications. As of January 1, 2024, the volume of online deposit transactions carried out through mobile applications amounted to 46.5 trillion soums.

Another important aspect for commercial banks in increasing investment attractiveness and attracting investors is the change in the market price of shares of commercial banks. The market value of shares in private joint-stock commercial banks is much higher. As of October 29, 2024, shares of Kapitalbank with a nominal value of 950 soums were sold for 5284.8 soums. Trustbank is selling its shares with a nominal value of 1000 soums for 8900 soums. This is a good result. Such a change in

¹ Muallif tomonidan tayyorlandi

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the price of shares of these private joint-stock commercial banks may also cause increased interest among the local population.

CONCLUSION. The assessment of private banks has shown positive results. This, in turn, increases the interest of investors in private banks. The analysis of the volume of deposits is also a clear example of this. In addition, the market price of private bank shares is much higher than the nominal value. This is considered a good signal to attract local investors, that is, the local population. The market price of state-owned bank shares is not only on the decline, but also can scare investors with the problem of lack of liquidity. Problems such as primitive and formalized corporate governance, ineffective and harmful decisions arising from government interests, and gross corruption, which has become part of general corruption, cause normal investors and especially the general public to keep their investments away from state-owned bank shares. Therefore, one of the current pressing issues is the implementation of privatization, which is very important for state-owned banks.

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