

ENHANCING COMMERCIAL BANKS' INVESTMENT POTENTIAL THROUGH BOND MARKET INSTRUMENTS

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Abstract

The article examines the role of bond market instruments in enhancing the investment potential of commercial banks, with particular emphasis on portfolio diversification, profitability, liquidity, maturity management, and the mitigation of financial risks. The study analyzes the development of the global corporate bond market and bank debt issuance in selected Asian countries, identifying major trends in the volume, structure, and dynamics of debt securities and their implications for commercial banks' investment strategies. The research applies comparative, statistical, structural, dynamic, analytical, induction, and deduction methods to evaluate the relationship between bond market development and banks' opportunities to allocate financial resources among fixed-income instruments with different risk and return characteristics. The results demonstrate that the systematic integration of bond instruments into commercial banks' investment policies can improve risk-adjusted investment efficiency, strengthen liquidity management, diversify asset structures, and contribute to the sustainable expansion of banks' investment potential, while effective credit-risk assessment, duration management, market monitoring, and asset-liability coordination remain essential conditions for achieving these outcomes.

Keywords: Commercial banks, bond market, investment potential, bond instruments, corporate bonds, bank debt issuance, investment portfolio, portfolio diversification, investment profitability, liquidity management, credit risk, interest-rate risk, duration management, asset-liability management, risk-adjusted return.

Introduction

In the modern financial system, the expansion of commercial banks' investment potential is increasingly associated with the effective development of securities markets, particularly the bond market, which provides financial institutions with opportunities to diversify investment portfolios, manage liquidity, and generate stable investment income. The scale of the global bond market demonstrates its growing importance as a source of investment opportunities for financial institutions, with the Bank for International Settlements (BIS) reporting that international debt securities outstanding amounted to \$29.7 trillion in 2024 Q4, of which financial corporations accounted for approximately \$20.1 trillion, confirming the substantial

role of financial-sector issuers in global debt markets[1]. As traditional banking activities become increasingly exposed to interest-rate fluctuations, credit risks, and changing regulatory requirements, bond market instruments are gaining importance as an alternative mechanism for allocating temporarily available financial resources. The OECD data demonstrate the expanding scale of bond financing worldwide, with the global outstanding stock of corporate bond debt reaching approximately USD 35 trillion at the end of 2024, representing a 1.4% real-term increase compared with the previous year, while financial companies accounted for more than 60% of outstanding corporate debt in 24 of 38 OECD member countries, highlighting the significant role of financial institutions in bond markets[2]. Commercial banks, acting simultaneously as financial intermediaries, institutional investors, and market participants, can use government and corporate bonds to optimize the structure of their assets and strengthen the sustainability of their investment operations.

The development of bond market instruments creates favorable conditions for commercial banks to transform short- and medium-term financial resources into diversified investment assets while maintaining an appropriate balance between profitability, liquidity, and risk. In particular, investments in government securities may provide relatively stable returns and contribute to liquidity management, whereas investments in high-quality corporate bonds can expand opportunities for obtaining higher yields and supporting productive economic activities. Therefore, the formation of an effective bond investment strategy requires commercial banks to assess not only the expected return on securities but also creditworthiness of issuers, maturity structure, interest-rate sensitivity, market liquidity, and the overall correlation of bond assets with other components of the bank's investment portfolio.

From a theoretical and practical perspective, the investment potential of commercial banks should be considered as a multidimensional financial capacity that reflects their ability to mobilize available resources, select appropriate investment instruments, assume and manage investment risks, and obtain sustainable financial results. According to the International Finance Corporation (IFC), global issuance of green, social, sustainability and sustainability-linked bonds exceeded USD 1 trillion in 2024, increasing by approximately 3% compared with 2023, while the share of these instruments in total fixed-income issuance reached 2.2%, demonstrating the growing diversification of bond-market instruments and the emergence of new investment opportunities for institutional investors, including commercial banks[3]. Within this framework, the bond market serves as an important channel through which banks can diversify their investment activities beyond traditional lending operations and participate more actively in the redistribution of financial resources across economic sectors. The effective use of bonds can also contribute to improving asset–liability management, reducing excessive concentration of credit exposures, strengthening financial stability, and increasing the efficiency of bank capital utilization.

At the same time, the expansion of commercial banks' investment potential through bond instruments is influenced by the institutional and infrastructural characteristics of the securities market, including the level of market liquidity, transparency of information disclosure, reliability of credit assessment, diversity of available securities, regulatory requirements, and the development of trading and settlement mechanisms. The World Bank Global Financial Development Database incorporates international debt securities indicators based on the BIS



Debt Securities Statistics and defines international debt securities as long-term bonds, notes and money-market instruments placed on international markets, thereby confirming the importance of bond instruments as a measurable component of financial-market depth and providing an analytical basis for assessing the role of securities markets in expanding the investment capacity of financial institutions[4]. Insufficient diversification of bond instruments, limited secondary-market liquidity, information asymmetry, and fluctuations in market interest rates may restrict banks' willingness to increase their investment activity in this segment. Consequently, the development of an effective institutional environment and the introduction of modern approaches to portfolio management are essential for transforming the bond market into a sustainable source of investment opportunities for commercial banks.

The relevance of this research is further strengthened by the growing need to increase the role of capital-market instruments in financing economic development and to establish more diversified channels for the allocation of financial resources. For commercial banks, greater participation in the bond market can simultaneously serve several strategic objectives, including improving portfolio diversification, maintaining liquidity reserves, increasing investment income, strengthening risk-management mechanisms, and supporting the financing requirements of enterprises and public-sector institutions. Accordingly, studying the mechanisms through which bond market instruments can enhance banks' investment potential is important not only from the perspective of individual financial institutions but also for the development of a more resilient and efficient national financial system.

THE RELEVANCE OF THE RESEARCH SUBJECT

The transformation of the financial sector and the increasing complexity of investment processes have created new requirements for commercial banks to reconsider the structure and management of their investment resources. In this environment, the bond market represents an important mechanism for broadening banks' investment activities because fixed-income securities allow financial institutions to combine relatively predictable cash flows with portfolio diversification and liquidity management. The relevance of this direction is particularly evident when commercial banks face fluctuations in lending demand, changes in monetary policy, and increasing competition for profitable financial assets, which require them to search for alternative investment channels beyond traditional lending operations. Effective investment in government, corporate, and other bond instruments can enable banks to allocate available resources according to different levels of risk, maturity, and expected return while simultaneously improving the balance between profitability and liquidity. Accordingly, the study of mechanisms for increasing commercial banks' investment potential through bond market instruments is important for determining the optimal role of securities in bank asset management and for identifying conditions under which bond investments can generate sustainable financial results.

Another important aspect of the research relevance is associated with the strategic role of commercial banks in developing the securities market and strengthening the financial infrastructure of the economy. As major institutional investors, banks can contribute to increasing demand for bonds, improving market liquidity, expanding the investor base, and facilitating the flow of financial resources toward enterprises and investment projects, while



the development of a more diversified bond market can, in turn, provide banks with a broader range of instruments for managing liquidity and investment risks. However, the effectiveness of this process depends on the transparency of issuers, reliability of financial information, credit-risk assessment, secondary-market development, pricing mechanisms, regulatory requirements, and the ability of banks to apply modern portfolio-management techniques. Therefore, identifying appropriate approaches to bond selection, risk-adjusted profitability assessment, maturity diversification, and investment portfolio optimization constitutes an important scientific and practical task. In this regard, research aimed at enhancing commercial banks' investment potential through bond market instruments can contribute to improving the efficiency of bank financial management while simultaneously supporting the development of a deeper, more liquid, and more diversified securities market.

THE PROBLEM OF THE RESEARCH

The main problem of the research is associated with the insufficient integration of bond market instruments into the investment strategies of commercial banks, which limits the effective use of securities as a source of portfolio diversification, liquidity management, and sustainable investment income. Despite the growing importance of the bond market, a number of interconnected problems remain unresolved, including the limited diversification of bond portfolios, insufficient secondary-market liquidity, high sensitivity of bond prices to changes in interest rates, inadequate assessment of issuer credit risk, and insufficient application of risk-adjusted investment approaches. These problems can reduce the attractiveness of bond instruments for commercial banks and increase the probability of inefficient allocation of temporarily available financial resources.

A further problem concerns the weak alignment between banks' investment policies and the maturity, profitability, and risk characteristics of available bond instruments, which may lead to excessive concentration in particular securities or maturity segments. In addition, information asymmetry, insufficient transparency of issuers, differences in the quality of financial disclosure, underdeveloped credit-rating mechanisms, and limited analytical capacity for evaluating corporate bonds can complicate investment decision-making. Another important issue is the insufficient development of mechanisms for integrating bond investments with asset-liability management, particularly in terms of managing duration risk, liquidity risk, and interest-rate risk. Therefore, the research problem also encompasses the need to establish scientifically grounded mechanisms for selecting and evaluating bonds, optimizing the structure of bank bond portfolios, improving risk-adjusted investment efficiency, and creating institutional conditions that would enable commercial banks to use the bond market more effectively for expanding their investment potential.

THE PURPOSE OF THE RESEARCH

The purpose of the research is to develop scientific and methodological approaches and practical recommendations for enhancing the investment potential of commercial banks through the effective use of bond market instruments, with particular emphasis on improving investment portfolio diversification, increasing risk-adjusted profitability, strengthening liquidity management, and ensuring the sustainable allocation of financial resources. The



research aims to identify the key factors influencing commercial banks' participation in the bond market, evaluate the effectiveness of different categories of bond instruments, and substantiate mechanisms for optimizing the structure of bank bond portfolios according to their profitability, liquidity, maturity, and risk characteristics. In addition, the study seeks to develop practical approaches to improving bond selection, issuer credit-risk assessment, interest-rate risk management, and asset–liability coordination, thereby creating conditions for more efficient securities investment and strengthening the financial stability of commercial banks.

THE SCIENTIFIC ESSENCE OF THE RESEARCH

The scientific essence of the research is based on the systematic examination of the mechanisms through which bond market instruments can expand the investment potential of commercial banks by transforming temporarily available financial resources into diversified and income-generating investment assets. The study considers the bond market not merely as an alternative source of financing for economic entities, but as an important component of the financial intermediation system that enables commercial banks to combine investment profitability, liquidity management, risk diversification, and capital preservation within a unified portfolio-management framework. From this perspective, the investment potential of a commercial bank is interpreted as its institutional and financial capacity to identify appropriate securities, allocate available resources among instruments with different risk-return characteristics, manage maturity and interest-rate exposure, and achieve sustainable investment results. The research therefore focuses on establishing the theoretical relationship between the development of bond market infrastructure and the expansion of banks' investment opportunities, with particular emphasis on government bonds, corporate bonds, green bonds, and other fixed-income instruments. The scientific approach also assumes that the effectiveness of bond investments depends on the interaction between the bank's financial resources, investment strategy, regulatory environment, market liquidity, issuer creditworthiness, and macroeconomic conditions.

A key scientific element of the research is the development of an integrated approach to assessing the contribution of bond instruments to the investment capacity and financial sustainability of commercial banks. In this approach, the selection of bond instruments is determined not only by their nominal yield but also by duration, credit risk, liquidity, interest-rate sensitivity, maturity structure, and their correlation with other assets included in the bank's investment portfolio. The research proposes that the investment efficiency of bond operations should be evaluated through a combination of profitability, liquidity, risk-adjusted return, portfolio diversification, and capital-efficiency indicators, because focusing exclusively on nominal investment income may result in an incomplete assessment of the actual economic effect. At the same time, the study emphasizes that the expansion of bond investments should be accompanied by effective asset–liability management, since changes in market interest rates can simultaneously influence the market value of securities, funding costs, net interest income, and the overall financial position of a commercial bank. This scientific interpretation makes it possible to establish a direct analytical relationship between bond portfolio diversification and the bank's ability to maintain an optimal balance between liquidity and profitability. Furthermore, the research considers the development of secondary-market liquidity,



information transparency, credit-rating mechanisms, digital trading infrastructure, and institutional investor participation as complementary conditions for increasing the attractiveness of bond instruments for commercial banks.

The literature on bond market development emphasizes its growing importance in strengthening financial intermediation, improving resource allocation, and supporting sustainable economic growth, with Nneka, Ngong, and Ugoada (2025) demonstrating that a developed bond market expands financing opportunities, enhances the effectiveness of market-based monetary policy instruments, and provides broader channels for mobilizing long-term financial resources in developing economies[5]. Ahmed, Majeed, and Thalassinos (2021), examining the determinants of non-performing loans in an emerging banking sector, highlight the importance of bank-specific and macroeconomic factors in determining financial stability, which is particularly relevant to bond-based investment decisions because the expansion of banks' securities portfolios must be accompanied by effective credit-risk and macroeconomic risk management[6]. Saunders and Cornett (2021), in their analysis of financial markets and institutions, consider securities markets, commercial banking activities, investment decisions, and the functioning of primary and secondary markets as interconnected elements of the financial system, thereby providing a theoretical foundation for examining bonds as instruments for diversifying commercial banks' assets and improving investment efficiency[7]. Overall, the reviewed studies establish the importance of developed bond markets, effective banking-sector risk management, and securities-market infrastructure, while a more specific methodological framework for assessing how bond market instruments can systematically enhance commercial banks' investment potential through portfolio diversification, liquidity management, profitability optimization, and risk-adjusted investment strategies remains insufficiently developed, which determines the relevance of the present research.

Karimov, in his study of bond trading in the securities market, emphasizes that bonds serve as an important debt-financing instrument through which governments and corporations can mobilize substantial financial resources for the implementation of large-scale investment projects, highlighting their significance for the development of capital markets[8]. Omonov, examining international experience in regulating the activities of institutional investors in capital markets, demonstrates that effective regulatory mechanisms, appropriate institutional frameworks, and investor protection are essential for expanding the participation of institutional investors in securities markets and improving the efficiency of investment-resource allocation[9]. Hamdamov, Otakhonova, and Baratova, in their analysis of bond markets in Asian countries, focus on the structural characteristics and development trends of regional bond markets, showing that the expansion of debt securities markets can strengthen financial-market diversification and create additional opportunities for mobilizing long-term capital[10]. The reviewed studies collectively indicate that the development of bond markets is closely associated with the expansion of financing sources, the strengthening of institutional investment, the improvement of securities trading mechanisms, and the diversification of financial resources, while the effectiveness of these processes depends substantially on market infrastructure, regulatory quality, liquidity, and investor confidence. At the same time, insufficient attention has been devoted to the integrated assessment of how commercial banks can use different bond market instruments to enhance their investment potential through



portfolio diversification, optimization of risk-adjusted profitability, liquidity management, maturity matching, and systematic evaluation of credit and interest-rate risks, which provides an important theoretical and methodological basis for further research.

RESEARCH METHODS

The research methodology is based on a systematic and comprehensive approach to examining the role of bond market instruments in enhancing the investment potential of commercial banks, with particular attention to portfolio diversification, profitability, liquidity, maturity, and financial risk management. The study applies methods of comparative analysis, statistical analysis, dynamic analysis, and structural analysis to identify changes in global corporate bond markets and bank debt issuance, as well as to assess differences in the development of bond financing across selected countries. The research also employs the methods of synthesis, induction, and deduction to establish the relationship between the development of debt securities markets and the expansion of commercial banks' investment opportunities, while analytical interpretation is used to determine the implications of changes in bond issuance for bank investment strategies. Particular attention is given to assessing bond instruments according to yield, credit quality, duration, liquidity, maturity, and interest-rate sensitivity, which makes it possible to evaluate their potential contribution to risk-adjusted portfolio efficiency. The empirical basis of the research consists of statistical and analytical information from the OECD, S&P Global Market Intelligence, BIS, IMF, World Bank, and other authoritative financial-market sources, while the analysis of data for 2015–2024 provides a basis for identifying long-term trends and structural changes in the bond market. The application of these methodological approaches makes it possible to develop scientifically grounded conclusions and practical recommendations aimed at improving bond selection, portfolio diversification, risk management, asset-liability coordination, and the overall efficiency of commercial banks' investment activities.

ANALYSIS AND RESULTS

The analysis of commercial banks' investment potential through bond market instruments is based on the assessment of the relationship between the volume and structure of bond investments, portfolio profitability, liquidity, and the level of associated financial risks. In modern banking practice, bonds represent an important component of investment portfolios because they provide relatively predictable cash flows while allowing banks to diversify assets beyond traditional credit operations. The effectiveness of such investments depends on the type of bond, maturity period, coupon rate, market price, issuer creditworthiness, and prevailing interest-rate conditions, which together determine the risk–return characteristics of the portfolio. Therefore, the analysis should examine not only the quantitative expansion of banks' bond holdings but also the qualitative efficiency of their allocation among government, corporate, and other fixed-income instruments. Particular attention should be paid to the interaction between bond investments and asset–liability management, since changes in market yields can influence both the market value of securities and the cost of bank funding. On this basis, the analysis seeks to identify the principal factors determining the contribution of bond



market instruments to the expansion of commercial banks' investment potential and to formulate approaches for improving portfolio efficiency.

The investment potential of a commercial bank can be defined as the bank's financial, institutional, analytical, and organizational capacity to mobilize available resources and allocate them to investment assets in accordance with established profitability, liquidity, and risk-management objectives[11]. This concept is broader than the volume of funds available for investment because it also incorporates the bank's ability to identify investment opportunities, evaluate financial risks, manage securities portfolios, and respond effectively to changes in market conditions. The bond market represents an organized segment of the securities market in which debt instruments are issued, traded, and redeemed, enabling issuers to attract borrowed capital and investors to obtain predetermined or market-dependent income.

A bond is a debt security that establishes a financial obligation of the issuer toward its holder and generally provides periodic coupon payments together with repayment of the principal amount at maturity, although specific payment structures may differ according to the characteristics of the instrument. Government bonds are debt instruments issued by the state to finance public expenditures and manage public debt, and they are generally considered relatively lower-risk assets that can perform an important role in commercial banks' liquidity and investment management.

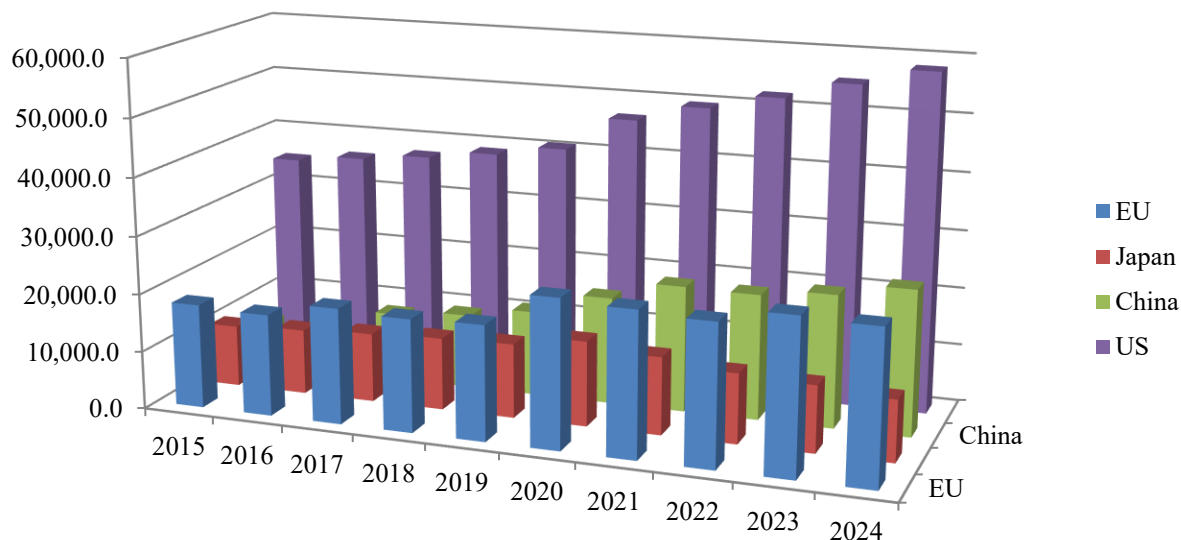
Corporate bonds, in contrast, are issued by companies to attract medium- or long-term financial resources and normally involve a comparatively higher level of credit risk, which may be compensated by a higher expected return. Bond yield reflects the income generated by holding a bond and is influenced by its coupon payments, purchase price, maturity, and prevailing market interest rates, meaning that the nominal coupon rate alone does not provide a complete assessment of investment profitability. Duration measures the sensitivity of a bond's price to changes in interest rates and therefore serves as an important indicator for managing market risk, particularly when banks hold significant volumes of fixed-income securities with different maturities.

Portfolio diversification refers to the allocation of investment resources among different securities, issuers, sectors, and maturity periods in order to reduce concentration risk and improve the overall risk–return balance of the bank's investment portfolio. Finally, risk-adjusted investment efficiency reflects the relationship between the return generated by bond investments and the level of financial risk assumed by the commercial bank, making it an essential criterion for determining whether the expansion of bond investments genuinely strengthens the bank's investment potential rather than merely increasing the nominal volume of securities held.

The overall size of the global fixed-income market represents an important indicator of the scale of bonds and other debt instruments within the international financial system, while its dynamics provide a basis for assessing the market opportunities available for expanding the investment activities of commercial banks. The growth of this market creates additional opportunities to diversify financial resources beyond traditional lending, increase the use of long-term investment instruments, and optimize the share of securities within banks' asset structures. At the same time, the expansion of the fixed-income market increases the importance of bonds with different levels of profitability, liquidity, and risk as instruments for



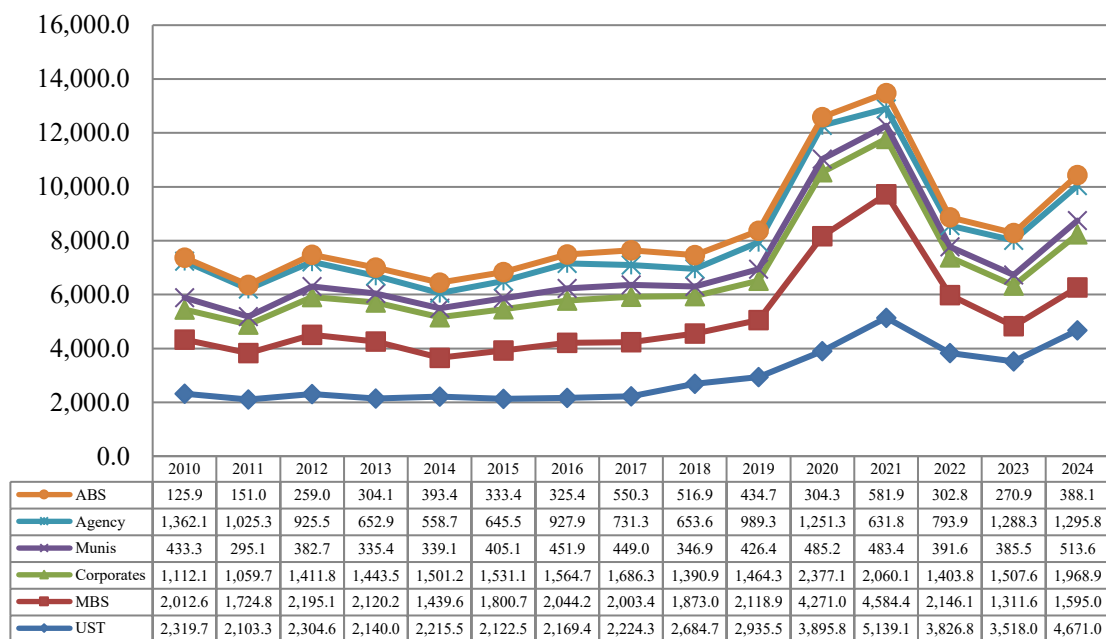
forming and diversifying commercial banks' investment portfolios. The dynamics presented in the diagram therefore characterize the scale of the market environment in which commercial banks can expand their investment potential through bond instruments and strengthen the diversification of their financial assets. The key indicators characterizing the value and dynamics of the global fixed-income market are presented in the following diagram.



1-diagram. Global Fixed Income Market Outstanding – Value, (\$ Billion)[12]

The data presented in Diagram 1 demonstrate a clear long-term expansion of the global fixed-income market across the major financial centers, although the growth rates and structural dynamics differ substantially among the EU, Japan, China, and the United States. The United States remained the largest market throughout the entire 2015–2024 period, with the outstanding value of fixed-income instruments increasing from \$34,855.9 billion in 2015 to \$58,171.7 billion in 2024, representing an increase of approximately 66.9%, which confirms the dominant position of the U.S. debt securities market in the global financial system. The EU market also expanded considerably, rising from \$17,987.9 billion to \$26,177.2 billion, or approximately 45.5%, although its development was characterized by fluctuations, particularly after the substantial increase recorded in 2020. Japan, by contrast, demonstrated a relatively moderate and subsequently declining trajectory, increasing from \$10,634.2 billion in 2015 to a peak of \$14,672.1 billion in 2020 before falling to \$10,598.9 billion in 2024, which indicates a considerable reduction from its pandemic-period maximum. The most dynamic expansion was observed in China, where the market increased from \$7,752.5 billion in 2015 to \$25,045.7 billion in 2024, corresponding to growth of approximately 223.1%, thereby substantially narrowing the gap with the EU market and demonstrating the rapidly increasing role of China's debt securities market. Particularly noteworthy is the period from 2020 onward, when China's fixed-income market continued to expand despite fluctuations in other major markets, while the U.S. market reached \$58.17 trillion in 2024, confirming its leading global position. These trends indicate that the expansion and diversification of fixed-income markets are creating a

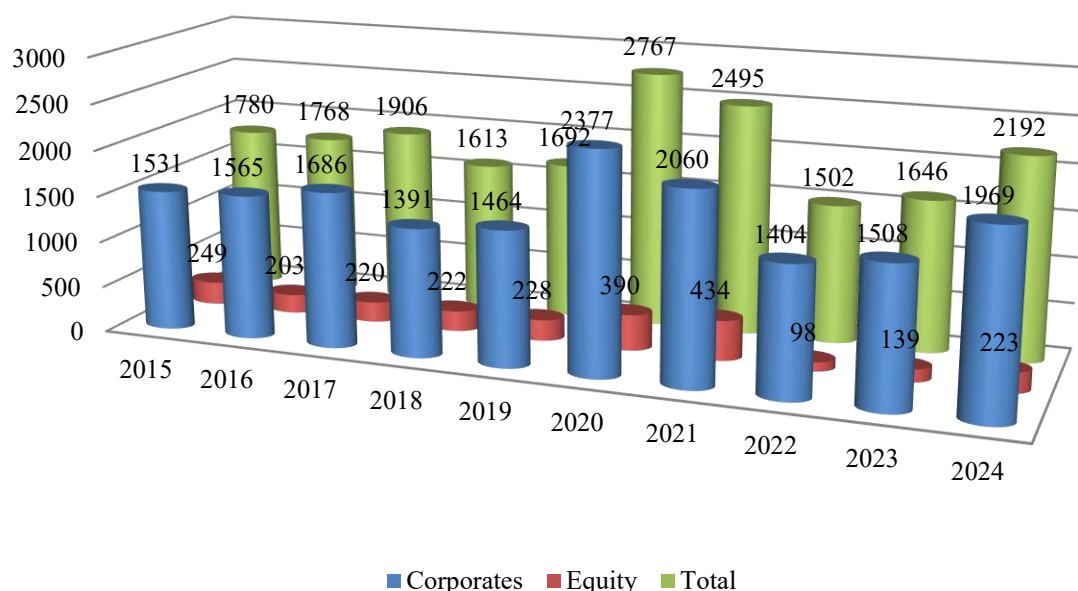
progressively broader range of bond instruments for institutional investors, including commercial banks, while differences in market scale, growth, and liquidity should be taken into account when developing bank investment strategies. Thus, the data provide an empirical basis for concluding that bond market development represents an important mechanism for expanding commercial banks' investment potential, diversifying financial assets, and improving the strategic allocation of investment resources.



2-diagramm. US Fixed Income Securities Issuance – Value, (\$ Billion)[13]

The data in Diagram 2 reveal significant changes in the structure and volume of U.S. fixed-income securities issuance during 2010–2024, demonstrating the diversification of debt instruments available to institutional investors, including commercial banks. U.S. Treasury securities (UST) remained the dominant segment throughout the period, with issuance increasing from \$2,319.7 billion in 2010 to \$4,671.0 billion in 2024, representing an approximately 101.4% increase, while the strongest expansion occurred during 2020–2021, when UST issuance reached \$3,895.8 billion and \$5,139.1 billion, respectively. Mortgage-backed securities (MBS) also demonstrated substantial volatility, increasing from \$2,012.6 billion in 2010 to \$4,584.4 billion in 2021, before declining to \$1,595.0 billion in 2024, which reflects the sensitivity of mortgage-related securities issuance to monetary policy, interest rates, and conditions in the housing-finance market. The corporate bond segment expanded from \$1,112.1 billion in 2010 to \$1,968.9 billion in 2024, despite considerable fluctuations, with a particularly strong increase to \$2,377.1 billion in 2020, indicating the importance of corporate debt financing during periods of heightened financing requirements. Municipal bonds (Munis) showed comparatively stable but moderate growth, reaching \$513.6 billion in 2024, while Agency securities fluctuated significantly and amounted to \$1,295.8 billion at the end of the period. The asset-backed securities (ABS) segment also expanded over the long term, increasing from \$125.9 billion in 2010 to \$388.1 billion in 2024, despite several periods of

decline. Overall, the data demonstrate that the U.S. fixed-income market provides investors with a broad spectrum of instruments differing in credit risk, maturity, liquidity, and income characteristics, which creates favorable conditions for portfolio diversification. From the perspective of commercial banks, such market diversity enables the selection of securities according to specific liquidity requirements, risk tolerance, investment horizons, and expected returns, thereby strengthening the potential contribution of bond instruments to bank investment portfolio management. Particularly, the coexistence of government, mortgage, corporate, municipal, agency, and asset-backed securities illustrates that effective diversification across fixed-income instruments can become an important mechanism for balancing profitability and risk and consequently enhancing the investment potential of commercial banks.



3-diagram. US Corporate Bond and Equity Issuance, (\$ Billion)[13]

The data presented in Diagram 3 demonstrate that corporate debt securities have consistently represented a significantly larger component of U.S. capital-market financing than equity issuance during 2015–2024, highlighting the strategic importance of corporate bonds as an investment instrument for financial institutions. Corporate bond issuance increased from \$1,531 billion in 2015 to \$1,969 billion in 2024, corresponding to growth of approximately 28.6%, whereas equity issuance declined from \$249 billion to \$223 billion over the same period, indicating the comparatively stronger role of debt financing in corporate capital mobilization. The most substantial expansion occurred in 2020, when corporate bond issuance reached \$2,377 billion and total corporate securities issuance amounted to \$2,767 billion, reflecting increased reliance on capital markets during a period of significant economic and financial uncertainty. In 2021, corporate bond issuance remained high at \$2,060 billion, while equity issuance reached its highest level in the observed period at \$434 billion, resulting in total issuance of \$2,495 billion. By contrast, 2022 recorded a sharp reduction in both corporate and equity issuance, with the respective values declining to \$1,404 billion and \$98 billion,

causing total issuance to fall to \$1,502 billion, which represents the lowest level in the analyzed period. The subsequent recovery in 2023–2024 indicates renewed demand for corporate financing, with total issuance increasing to \$2,192 billion in 2024, of which corporate bonds accounted for approximately 89.8%, demonstrating the dominant role of debt instruments. From the perspective of commercial banks, these figures indicate that the corporate bond market offers a considerably broader investment universe than equity instruments in terms of available issuance volume, while bonds can also provide more predictable contractual cash flows and defined maturity structures. Consequently, the sustained scale of corporate bond issuance creates opportunities for commercial banks to diversify their securities portfolios, allocate financial resources toward corporate financing, and improve the balance between investment income, liquidity, and risk. Overall, the observed relationship between corporate bond and equity issuance confirms that corporate bonds constitute a strategically important channel for capital formation and a significant instrument through which commercial banks can expand their investment potential within developed securities markets.

Table 1. Global corporate bond market outstanding by issuer type, 2015–2024 (USD trillion)[14]

Year	Global corporate bond debt	Financial companies	Non-financial companies	Annual real growth, %
2015	≈25.0	≈12.0	≈13.0	—
2016	≈26.0	≈12.3	≈13.7	≈4.0
2017	≈27.0	≈12.6	≈14.4	≈3.8
2018	≈28.0	≈12.9	≈15.1	≈3.7
2019	≈29.0	≈13.2	≈15.8	≈3.6
2020	≈31.0	≈13.8	≈17.2	≈6.9
2021	≈34.0	≈14.7	≈19.3	≈9.7
2022	≈33.0	≈14.5	≈18.5	Negative
2023	33.6	≈15.5	≈18.1	Negative in real terms
2024	35.0	≈19.3	15.7	+1.4

Table 1 demonstrates a clear long-term expansion of the global corporate bond market during 2015–2024, as the total volume of outstanding corporate bond debt increased from approximately USD 25.0 trillion in 2015 to USD 35.0 trillion in 2024, indicating a substantial expansion of debt-based financing opportunities for both financial and non-financial corporations. The most intensive growth was observed during 2020–2021, when global corporate bond debt increased from approximately USD 31.0 trillion to USD 34.0 trillion, while the annual real growth rate reached approximately 6.9% and 9.7%, respectively, reflecting the increased role of bond markets in mobilizing financial resources during a period of heightened uncertainty and changing financing conditions. In 2022, however, the market experienced a moderate contraction to approximately USD 33.0 trillion, followed by a further period of negative real growth in 2023, which can be associated with the effects of higher inflation, tighter monetary policy, and increased interest rates that reduced the attractiveness and affordability of debt financing. Despite these adverse conditions, the market recovered in 2024, with global corporate bond debt reaching USD 35.0 trillion and recording positive real

growth of 1.4%, thereby demonstrating the continued importance of corporate bonds as a major source of market-based financing. The structure of the market also indicates the significant role of financial companies, whose outstanding bond debt increased from approximately USD 12.0 trillion in 2015 to around USD 19.3 trillion in 2024, while non-financial companies accounted for USD 15.7 trillion in 2024, confirming that debt securities remain an important instrument for financing corporate activities and supporting financial-system liquidity. From the perspective of commercial banks, the expansion and structural diversification of the global corporate bond market creates a broader investment environment in which banks can allocate temporarily available financial resources among securities with different maturities, credit qualities, yields, and liquidity characteristics, thereby strengthening portfolio diversification and improving the potential for risk-adjusted investment returns. Consequently, the observed growth of the global corporate bond market suggests that effective integration of bond instruments into commercial banks' investment strategies can contribute not only to the expansion of investment potential but also to more balanced asset allocation, improved liquidity management, and more efficient diversification of financial risks.

Table 2. Bank debt issuance in selected asian countries, 2024[15]

№	Country	Bank debt issuance, 2024, USD bn	2023, USD bn	Change, %
1	China	107.92	76.06	+41.9
2	Japan	32.60	58.61	-44.4
3	South Korea	64.50	48.20	+33.8
4	India	11.80	4.82	+144.8
5	Indonesia	9.80	6.20	+58.1
6	Philippines	8.10	4.01	+102.0
7	Other Asia-Pacific	27.11	18.16	+49.3
Total	Asia-Pacific	261.83	216.06	+21.2

Table 2 illustrates significant differences in the scale and dynamics of bank debt issuance across selected Asian countries in 2024, with total bank debt issuance in the Asia-Pacific region reaching USD 261.83 billion compared with USD 216.06 billion in 2023, representing an annual increase of 21.2%. China occupied the leading position with bank debt issuance of USD 107.92 billion, compared with USD 76.06 billion in 2023, corresponding to a 41.9% increase and demonstrating the substantial role of the Chinese banking sector in the regional debt capital market. South Korea ranked second with USD 64.50 billion, increasing by 33.8% from USD 48.20 billion, while Japan recorded USD 32.60 billion compared with USD 58.61 billion in the previous year, resulting in a significant 44.4% decline and indicating a considerable reduction in bank debt-market activity. India demonstrated the highest growth rate among the individually reported countries, with issuance increasing from USD 4.82 billion in 2023 to USD 11.80 billion in 2024, equivalent to a 144.8% increase, while Indonesia and the Philippines also recorded substantial increases of 58.1% and 102.0%, respectively. The relatively strong expansion of bank debt issuance in these emerging Asian markets indicates growing reliance on capital-market instruments for mobilizing medium- and long-term financial resources and reducing excessive dependence on traditional deposit-based and

interbank funding sources. From the perspective of commercial banks' investment potential, the growth of bank debt issuance simultaneously expands the supply of fixed-income securities available to institutional investors, including banks, thereby creating additional opportunities for portfolio diversification according to maturity, yield, credit quality, and liquidity characteristics. At the same time, the substantial differences in issuance dynamics between countries demonstrate that the effectiveness of bank bond markets depends on national financial-market depth, regulatory requirements, investor demand, interest-rate conditions, and banks' capital and liquidity management strategies. Therefore, the 21.2% overall increase in Asia-Pacific bank debt issuance in 2024 can be considered an important indicator of the strengthening role of debt capital markets in bank financing and provides evidence that bond instruments can increasingly contribute to the formation of diversified and flexible investment portfolios within the broader banking system.

The analysis demonstrates that the expansion of global corporate bond markets and the increasing issuance of debt securities by commercial banks are creating broader opportunities for financial institutions to strengthen their investment potential through diversified fixed-income instruments. The growth of global corporate bond debt from approximately USD 25 trillion in 2015 to USD 35 trillion in 2024, together with the recovery of real growth to 1.4% in 2024, confirms the continuing importance of bond markets as a mechanism for mobilizing and reallocating financial resources. The analysis of selected Asian countries further indicates that bank debt issuance reached USD 261.83 billion in 2024, representing a 21.2% increase compared with 2023, although significant differences in issuance dynamics among China, Japan, South Korea, India, Indonesia, and the Philippines demonstrate the influence of national financial-market conditions and regulatory environments. From the perspective of commercial banks, the expansion of bond markets increases the range of available investment instruments and enables institutions to balance expected returns, liquidity requirements, maturity structures, credit quality, and interest-rate risks within their investment portfolios. At the same time, effective utilization of bond instruments requires banks to strengthen issuer credit-risk assessment, duration management, portfolio diversification, market-liquidity monitoring, and coordination between investment decisions and asset-liability management. Overall, the results confirm that the systematic integration of bond market instruments into commercial banks' investment strategies can contribute to higher investment efficiency, improved risk-adjusted returns, stronger liquidity management, and the sustainable expansion of banks' investment potential.

CONCLUSIONS AND PROPOSALS

The research results demonstrate that bond market instruments constitute an important mechanism for expanding the investment potential of commercial banks, since they enable financial institutions to transform temporarily available resources into diversified assets with different levels of profitability, liquidity, maturity, and credit risk. The analysis of global corporate bond markets confirms that the continuous development of debt capital markets creates additional opportunities for banks to diversify investment portfolios and reduce excessive concentration in traditional lending operations. Therefore, commercial banks should strengthen the role of fixed-income securities within their long-term investment strategies by



establishing clearly defined portfolio allocation limits based on profitability, liquidity, maturity, and risk parameters.

The analysis also indicates that differences in bank debt issuance across countries are closely associated with the depth of national capital markets, regulatory requirements, interest-rate conditions, investor demand, and the financial position of issuing institutions. In this regard, commercial banks should develop differentiated approaches to selecting bond instruments according to issuer creditworthiness, expected yield, duration, market liquidity, and sensitivity to changes in interest rates. It is proposed to introduce an integrated bond-selection assessment system that combines quantitative indicators of profitability and liquidity with qualitative indicators of issuer financial stability, corporate governance, disclosure quality, and credit risk. An important conclusion of the research is that the expansion of bond investments should be accompanied by improvements in banks' risk-management systems, because an increase in the volume of securities held in investment portfolios does not automatically guarantee higher financial efficiency. Commercial banks should regularly assess interest-rate risk, credit risk, market risk, and liquidity risk through scenario analysis, stress testing, duration analysis, and risk-adjusted performance indicators. The application of such mechanisms would allow banks to identify potential losses at an early stage and maintain an appropriate balance between investment profitability and financial stability.

The research further establishes that effective management of bond portfolios requires closer coordination between investment policy and asset-liability management, particularly with regard to maturity structures, expected cash flows, liquidity requirements, and interest-rate exposure. Therefore, banks should develop portfolio strategies that match the maturity and duration of bond investments with the structure of their liabilities, thereby reducing potential maturity mismatches and strengthening liquidity resilience. The establishment of specialized analytical procedures for monitoring the relationship between bond portfolio duration, funding costs, and expected investment income could significantly improve the quality of strategic financial decision-making.

Another important proposal concerns the development of the institutional and informational infrastructure of the bond market, because transparent information, reliable credit assessment, active secondary-market trading, and standardized disclosure requirements are essential for increasing the attractiveness of debt securities for institutional investors. Regulators and market institutions should therefore promote improvements in issuer disclosure, credit-rating mechanisms, electronic trading infrastructure, settlement systems, and access to reliable financial information, while commercial banks should strengthen their internal analytical capacity for evaluating issuers and monitoring market conditions. Such measures would contribute to improving market liquidity, reducing information asymmetry, and creating more favorable conditions for the efficient allocation of bank investment resources.

Finally, the sustainable enhancement of commercial banks' investment potential requires the simultaneous development of portfolio diversification, risk management, analytical capabilities, and the broader bond-market infrastructure, rather than focusing solely on increasing the nominal volume of securities investments. Commercial banks should gradually increase the use of portfolio optimization models that incorporate expected return, liquidity, duration, credit quality, and risk-adjusted performance, while regulators should support the



development of a deeper and more transparent debt capital market. The implementation of these proposals would strengthen the investment function of commercial banks, improve the efficiency of financial-resource allocation, expand access to market-based financing, and ultimately contribute to greater resilience and sustainable development of the financial system.

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