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 Research Article

WAYS TO ENSURE THE FINANCIAL STABILITY OF JOINT STOCK COMPANIES

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ABSTRACT

The article focuses on the scientific basis and relevance of ensuring the financial stability of insurance companies. Scientific studies of economists on determining the financial stability of insurance companies, their economic content and importance are briefly described. In recent years, we have analyzed the dynamics and trends of the development of the insurance market of Uzbekistan. I have developed a scientific proposal and practical recommendations for ensuring the financial stability of insurance companies.

KEYWORDS

Insurance, general insurance, life insurance, insurance premium, liability, reinsurance, margin, regulatory, authorized capital, solvency.

INTRODUCTION

Increasing the number of insurance services provided by insurance companies to individuals and legal entities, further increasing the financial literacy of the population through the use of

insurance services, and timely and complete provision of insurance obligations by insurance companies is directly related to the financial stability of insurance companies. In recent years,

large-scale reforms have been implemented in Uzbekistan regarding the development of the insurance network. In particular, in the new Development Strategy of Uzbekistan for 2022-2026, priority tasks such as "increasing the quality of medical services provided to the population, effective use of budget funds, centralization of medical services and introduction of medical insurance for the population" are defined [1].

It should be noted that in recent years, significant work has been done to analyze the financial stability of insurance companies, to identify existing problems in the development of insurance companies' activities and to eliminate them. In practice, there are several shortcomings in the use of the main financial ratios used in determining the rating of insurance companies. In accordance with this, it is necessary to carry out scientific and practical work on turning residents and legal entities into active participants of this market by increasing the financial stability of insurance companies, which are important in the development of the economy.

LITERATURE REVIEW

To ensure the financial stability of insurance companies, research is being carried out by domestic and foreign economists to increase the possibilities of attracting additional capital, to further improve the participation of insurance companies in the capital market, and to clarify the methodological bases for determining financial stability coefficients.

Ensuring the financial stability of companies depends not only on the company's internal corporate management system but also on the effectiveness of state macroeconomic regulatory instruments. The effective implementation of the regulatory documents accepted by directly higher ministries and organizations plays an important role in determining the prospective financial status of companies [2]. Financial sustainability plays an important role in the growth and diffusion of green innovations and helps create a more sustainable and environmentally friendly economy [3]. Financial stability can provide a favorable environment for environmental innovation by creating additional opportunities for financing, optimizing the value of capital, and creating conditions for economic growth and investment [4]. Financial stability not only increases the investment opportunities of

companies but also directly affects the overall economic development. When financial markets are stable, the economy creates opportunities for innovation through higher levels of growth and increased investment [5].

Determining the indicators of the financial stability of companies is a complex process in itself, and specific indicators alone do not allow for a complete picture of the state of financial stability. Therefore, along with the development of the economic system, the analysis of modern financial stability indicators is also improving accordingly. There is no clear mechanism for assessing financial stability because the change of these indicators is directly affected by the monetary policy of the state in most cases. Especially the fact that the global economic and financial crises that have occurred in recent years are being observed, requires comprehensive research of these indicators [6].

According to J. G. Shinazi, the financial system is stable only if economic resources, financial risks, their evaluation and management are effectively distributed. Through this definition, the author focuses on the assessment of risks and their management, which is considered an important aspect of achieving financial stability [7].

Economists in our country have conducted a number of studies to determine the indicators of financial stability of joint-stock companies, according to professor A.U. Burkhanov, financial stability is based on the steady development of the activities of enterprises based on the simultaneous development of profit and debt repayment, the ability of the enterprise to finance its activities, and the speed of resource turnover. is a complex indicator [8]. In describing the financial stability of insurance companies, besides the solvency index, we think that the ability of the insurance company to adapt to changes in the external economic environment should also be evaluated under risk conditions. Because one of the main conditions for ensuring financial stability is the optimal placement of financial resources in the presence of risk [9].

ANALYSIS AND RESULTS

In recent years, there has been an increase in the activity of insurance companies in terms of voluntary insurance types, which indicates the real development of insurance and the increased level of trust in the services of insurance companies. The results of the analysis show that as of January 1, 2023, the number of insurance

companies is 42, of which 8 organizations are engaged in life insurance. As a result of the measures taken to increase the authorized capital, the total authorized capital of insurance organizations increased by 18.5% in 2022 and

amounted to 1,884.11 billion soums. By the end of 2022, the investment portfolio of insurers will increase by 26.8% to 4.75 trillion soums (Table 1).

Table 1

The main indicators of the development of the insurance market of Uzbekistan [10]

Years	Number of insurance companies	Insurance premiums (billion soums)	Insurance coverage (billion soums)	Total authorized capital (billion soums)
2010	34	175,5	27,6	200,1
2015	30	515,5	111,2	420,7
2016	26	692,6	130,5	443,1
2017	27	927,4	269,9	321,6
2018	30	1635,2	460,8	543,1
2019	36	2313,9	813,5	755,2
2020	40	2212,1	732	1439,1
2021	42	3733,5	1235	1439,1
2022	41	6231,6	2103	1884,11

The main part of investment activities carried out by insurance companies corresponded to the share of deposits of commercial banks during the analyzed period, their amount increased by 31.2% and amounted to 2.90 trillion soums. We should note that in the following years, insurance companies as institutional investors have been occupying one of the highest positions in the share of trade of securities of Tashkent RFB. By

the end of 2022, investments in securities by insurance companies increased by 17.5% and amounted to 1297.92 billion soums, or 27.1% of the investments of insurance organizations. I can see it from the table that the total insurance premiums collected by insurers increased by 67.0% and amounted to 6.23 trillion soums during 2022. During the analyzed period, life insurance payments increased by 112.6% to 1,524.68

billion. Amount to sum. In particular, payments for voluntary insurance types increased by 76.89% and amounted to 5.71 trillion sums or 91.68% (86.54% in 2021) of all insurance premiums collected by insurance organizations. In 2022, payments for compulsory insurance services increased by 3.18% and amounted to 518.04 billion sums.

It should be noted that as a result of the reforms implemented by insurance companies regarding the accumulation of additional financial reserves and diversification of investment activities, their level of financial stability is gradually improving. However, from the data of the analysis, it was found that the level of amounts set by some insurance companies on the levels of financial stability remains at low percentages. It is known that when assessing the level of financial stability of insurance companies, their solvency indicators play an important role. Solvency of insurers (reinsurers) is the ability of insurers (reinsurers) to meet their financial obligations on time and in full. The basis of solvency is the formed authorized capital, sufficient insurance reserves, as well as the existence of a reinsurance system. According to international and national rating

systems, the solvency margin adequacy norm must not be less than 1.

The ratio of the adequacy of the solvency margin is equal to the ratio of the actual amount of the solvency margin to the normative amount of the solvency margin and is calculated according to the following formula:

$$SMAN = AASM / NASM$$

Here: SMAN-solvency margin adequacy norm; AASM-actual amount of solvency margin; NASM-normative amount of solvency margin.

The normative amount of solvency margin for insurers engaged in general insurance or reinsurance is only the largest of the following three amounts:

the minimum amount of charter capital established for the insurer in accordance with the legal documents on insurance activity;

the amount calculated by the "rewards method";

the amount calculated by the "payment method".

Table 2 presents information on the solvency margin adequacy ratio of some insurance companies operating in the Republic of Uzbekistan.

Table 2

Uzbekistan Insurance Republic long-term margin capacity

№	Insurance company name	Solvency margin adequacy ratio		Change, %
		30.09.2022	30.09.2021	
General insurance industry				
<i>Total for general insurance industry:</i>		<i>1,3071</i>	<i>1,7616</i>	<i>-25,8%</i>
1	«O‘zbekinvest» ЭИСК	3,2860	6,3730	-48,4%
2	«Universal sug‘urta»	1,8039	1,3490	+33,7%
3	«Trust-insurance»	1,7458	0,9585	+82,1%
4	«Temiryo‘l su g‘urta»	1,5561	2,6984	-42,3%
5	«Euroasia insurance»	1,4366	1,7877	-19,6%
6	«O‘zagrosug‘urta»	1,3865	1,6347	-15,2%
Life insurance industry				
<i>Total for the life insurance industry:</i>		<i>1,0146</i>	<i>1,1788</i>	<i>-13,9%</i>
1	«Euroasia life insurance»	1,0412	1,0164	+2,4%
2	«Kafolat hayot insurance»	1,0006	0,9634	+3,9%
3	«Apex life insurance»	1,0003	1,0038	-0,4%
4	«Agros hayot»	0,9293	1,5950	-41,7%
5	«O‘zbekinvest hayot sug‘urta kompaniyasi»	0,9197	1,1137	-17,4%
6	«Farovon sug‘urta»	0,8422	1,0295	-18,2%

During the analysis, the leading companies in terms of the solvency margin adequacy ratio in the general insurance sector and the companies with a low level in the life insurance sector were taken. It can be seen from the table that the overall coefficient for both insurance sectors is positive, i.e. greater than 1, but it can be seen that

the general insurance sector has decreased by -25.8% and the life insurance sector has decreased by -13.9%.

One of the main coefficients used to assess the financial stability of insurance companies is return on assets (ROA-Return of Assets) and return on equity (ROE-Return on equity). The

ratio of profitability of assets is a financial ratio that evaluates the quality of the work of financial managers, the efficiency of using all the company's assets, and, it is a financial ratio that shows the efficiency of using the company's property; it is a financial ratio that shows how much net profit each unit of the company's assets brings in terms of monetary units. It is an

indicator that expresses how much profit will come from each unit of money invested in the company's property. Table 3 presents information on the assets and private capital profitability coefficients of some insurance companies operating in the Republic of Uzbekistan.

Table 3

Data of ROE and ROA ratios of insurance companies

№	Insurance company name	ROE		ROA	
		30.09.2	30.09.2	30.09.2	30.09.21
General insurance industry					
<i>Total for the life insurance industry:</i>		7,40%	4,05%	2,59%	1,62%
1	«My-insurance»	35,65%	3,40%	8,70%	0,27%
2	«Apex insurance»	33,62%	5,28%	4,74%	0,91%
3	«DD general insurance»	30,21%	1,25%	13,81%	0,56%
4	«SQB insurance sug'urta	22,04%	7,69%	6,81%	6,31%
5	«Xalq sug'urta»	21,95%	16,18%	7,72%	5,05%
6	«Temiryo'l sug'urta»	19,81%	25,28%	8,54%	9,29%
7	«Gross sug'urta kompaniyasi»	19,45%	5,60%	3,99%	0,71%
8	«Global insurance group»	17,61%	5,08%	6,59%	1,89%
Life insurance industry					
<i>Total for the life insurance industry:</i>		2,5%	1,9%	0,9%	0,7%
1	«New life sug'urta mpaniyasi»	10,9%	0,2%	3,1%	0,1%
2	«Alfa life insurance»	5,4%	4,2%	3,0%	2,2%
3	«Euroasia life insurance»	3,4%	5,6%	1,2%	2,2%
4	«Farovon sug'urta»	2,7%	6,0%	1,3%	4,0%
5	«O'zbekinvest hayot sug'urta	0,5%	2,5%	0,1%	0,4%
6	«Apex life insurance»	-0,3%	1,0%	-0,2%	0,3%
7	«Kafolat hayot insurance»	-0,8%	-3,3%	-0,6%	-2,1%

8	«Agros hayot»	-2,9%	1,3%	-1,6%	0,3%
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In other words, ROE (Return on equity) represents the ratio of the company's net profit to its equity and is evaluated through interest. ROE allows investors to assess how efficiently a company is using its equity capital. ROA (Return on Assets) reflects the ratio of the company's net profit to its assets and is expressed as a percentage, allowing investors to assess how effectively the company uses its assets. The data in Table 3 shows the companies with the highest ratios in the general insurance industry, while the companies with the lowest ratios in the life insurance industry are listed. From the data of this table, it can be seen that in the general insurance sector, both coefficients showed positive growth during the analyzed period, and the net profit of the first three insurance companies increased almost three times during the analyzed period, which ensured a high overall coefficient. Although a positive trend was observed in the field of life insurance for both coefficients, it is difficult to positively assess the financial stability of insurance companies such as "Apex life insurance", "Kafolat life insurance" and "Agros life". It is necessary for these companies to

reconsider the strategies for the future development of the company and make decisions about increasing their investment opportunities.

CONCLUSION

Although in national practice, a legal document has been developed on the assessment of the efficiency of joint-stock companies with a state share in the authorized capital, the provisions of this Regulation are not applied to commercial banks and insurance companies. In our opinion, a regulation based on international standards and international rating agencies' calculation methodology should be developed and put into practice for assessing the efficiency and financial stability of insurance companies. As a result of this, there is an opportunity to further increase the attractiveness of investors along with the development of the competitive environment among insurance companies.

From international practical experience, it was found that the average value of ROE in US and UK companies is 10-12%. The main criterion for evaluating the profitability of capital is the result

or conclusion based on comparison with the amount of alternative income that the investor can invest in other projects. The higher the coefficient, the higher the investment amount, correspondingly, the higher the economic efficiency. If the return on capital is below zero, it becomes difficult to achieve any result by investing in the company in the future. As a rule, the value of the ratio is compared with alternative investments in shares of other companies, bonds and, in "extreme" cases, the bank.

One of the main problems today is that various models and algorithms are not used in determining the financial stability of insurance companies, except for the above coefficients. It should be noted that although several indicators are used to evaluate the effectiveness of corporate management in joint-stock companies, the fact that this methodology is not used in joint-stock companies can be considered the main drawback in attracting foreign investors. Because international investors, in addition to the current state of efficiency indicators in the use of capital, the level of profitability that it can bring in the future is considered important.

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