



Analysis of Financial Stability of Companies: in Case of "Kafolat Insurance Company" JSC

Nosirov Jasur

¹ International School of Finance and Technology., Tashkent, Uzbekistan

E-mail: grafjasur@gmail.com

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Abstract:

In this article, the factors affecting the financial stability of insurance companies and the stages of their management are highlighted. Also, the scientific and theoretical views of economists who studied the concept of "financial stability" are widely covered. In addition, the classification of the types of financial stability of insurance companies and the classification of indicators according to the criteria for evaluating the financial condition are explained. At the same time, the financial stability of the joint-stock company "KAFOLAT Insurance Company" was made in the article. Also, according to generally accepted international standards, this coefficient should not be less than 1 and should be in the range from 1 to 1.3. It should be noted that during 2015-2019, the current liquidity ratio of JSC "Guarantee Insurance Company" was analyzed.

Key words: insurance company, indicators of financial stability, insurance market of Uzbekistan.

Introduction

In foreign countries, extensive research is being conducted on the development of the infrastructure of the insurance market, ensuring the financial stability of insurance companies using scientific approaches and econometric instruments, and increasing the efficiency of companies based on the characteristics of the industry and sector.

In the development of the financial market in Uzbekistan, the systematic analysis of the insurance market, which is one of its main segments, and the effective use of foreign best practices in ensuring the financial stability of insurance companies are of great importance. It should be noted that in recent years, effective work has been carried out on the comprehensive development of the insurance market in our country.

Literature review

Today, it is important to evaluate the effectiveness of insurance companies through multiplier coefficients, to determine the quantitative level of financial stability, to carry out research aimed at improving financial stability based on international standards and mechanisms [1].

A fourth approach to determining financial stability is risk assessment and management. Western economist and practitioner JG Shinazi believes that the financial system is stable only if economic resources, financial risks, their assessment 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 [2]. It should be noted that the concept of "financial stability" is a broader concept than the concept of "solvency", and it should also be noted that indicators of solvency change over time faster than indicators of financial stability [3].

In general, from the point of view of ensuring the stability of the financial system, the Western economist M. Foot gives the following opinion, that is, financial stability [4]: a) stability of money; b) the level of employment of the population in the economy; c) confidence of market agents in financial institutions and markets; g) determined by the absence of price fluctuations in relation to financial assets. Also, "financial stability" means the harmonious functioning of important elements that make up the structure of the financial system. Agreeing with the opinions expressed by scientists above, we think that it is appropriate to consider some approaches to the concept of "financial stability" by economists of our country.

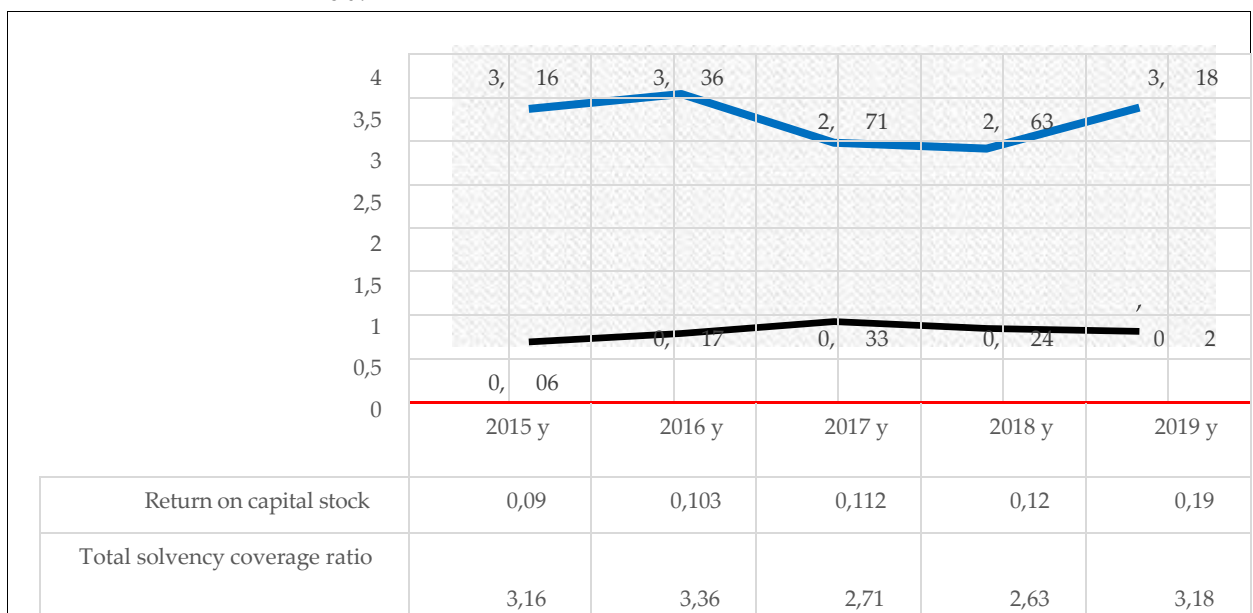
Analysis and results.

The current liquidity ratio is one of the main indicators of financial stability of an insurance company and represents the current liquidity of the balance sheet by deducting long-term receivables from total liquidity. This ratio makes it possible to assess the current situation of the insurance company and shows the ability to fulfill its short-term obligations during one reporting year at the expense of its current assets. According to the generally accepted international standards, this coefficient should not be less than 1 and should be in the range from 1 to 1.3. It should be noted that during 2015-2019, the current liquidity ratio of "KAFOLAT Insurance Company" JSC did not even reach half of the established standards, which is one of the negative indicators.

On the other hand, if the determined ratio is less than 1, it indicates that the insurance company does not have enough funds to fulfill its short-term obligations and means that the company has a high level of financial risk. The current liquidity ratio may be low, difficulties in introducing new insurance services and products, existence of high receivables and other reasons.

Among the important indicators used to assess the financial stability of insurance companies in international practice, one can include the profitability of the charter capital, the ratio of total solvency and the ratio of equity to debt. During 2015-2019, the ratio of profitability of the authorized capital of JSC "KAFOLAT Insurance Company" has a tendency to strengthen, this indicator was 0.09 in 2015, and by 2019 it was 0.19 due to an increase of 0.1 coefficient (Fig. 1).

Profitability of authorized capital is an indicator describing the efficiency of using authorized capital of insurance companies, and this indicator reflects how much net profit corresponds to one unit of capital (soum). It should be noted that although no specific standard has been set for this ratio, the higher the indicator, the higher the company's profit from the investment in the authorized capital. In addition, this indicator allows investors to compare the amount of income obtained by investing in this company and directing it to another alternative field.



The ratio of the issuer's own funds to debt funds	0,06	0,17	0,33	0,24	0,2
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Figure 1. Analysis of the coefficients of financial stability of the joint-stock company "KAFOLAT Insurance Company".

As we mentioned above, the growth of this indicator of the joint-stock company "KAFOLAT Insurance Company" during the analyzed period allows to increase the amount of income expected by investors. During the analyzed period, the ratio of capital to debt capital of "KAFOLAT Insurance Company" joint-stock company had a tendency to increase, but it can be seen that the highest indicator corresponds to 2017. In general, this indicator is one of the important indicators of financial stability and shows how much the amount of the company's own capital exceeds the amount of debt funds. In accordance with internationally recognized standards, it is recommended that this indicator be higher than 1, because the higher the ratio, the higher the company's ability to meet its obligations.

In the process of assessing the financial stability of the insurance company, in addition to the indicator of the adequacy of the amount of insurance reserves, it should be characterized by the indicator of the probability that these reserves will be sufficient to fulfill obligations in the long-term perspective. We have developed the following suggestions on the factors affecting the financial stability of insurance companies and their management:

- based on the proposal to increase the amount of additional capital by selling up to 25% of the state's share in the authorized capital of insurance companies with a state share in the charter capital;
- the proposal to strengthen the insurance reserve fund is based on deductions of up to 20 percent of income, including them in deductible expenses.

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