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PROSPECTS FOR INCREASING THE IMPORTANCE OF FINANCIAL MANAGEMENT IN ENSURING THE FINANCIAL STABILITY OF STOCK COMPANIES

Abstract: *In the article is considered the scientific problems and theoretical aspects of ensuring stock companies' financial stability. Scientific recommendations for improving financial stability have been formulated on the basis of the operating in the country stock companies' financial stability coefficients' analysis. In addition, using international practices, there are presented recommendations for improvement of company's financial stability assessment on modern models' basis.*

Key words: *financial stability, solvency, multiplicative ratios, risk assessment, financial stability monitoring, statistical models, innovation.*

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Introduction

Ensuring the financial stability of joint stock companies is one of the key elements of a modern financial management mechanism. Ensuring the timely fulfillment of obligations by joint-stock companies, increasing additional investment opportunities and the widespread introduction of innovations in production processes play an important role in improving financial stability. In world practice, the financial stability of most large companies is largely determined by its solvency and the amount of available reserves. It should be noted that the introduction of modern financial instruments in the insurance market, diversification of insurance services, improvement of financial stability through the use of international best practices in the development of the insurance market remains one of the most pressing issues. It is no coincidence that we do not emphasize the issue of financial stability of insurance companies, because the main object of this paper is the issue of financial stability of insurance companies.

Various changes in the world economy in recent years have forced countries to make decisions about the use of different instruments in the management of fiscal policy. It should be noted that until recently, there was a reaction to the global financial and economic crisis that began in 2008, which had a serious impact on the world economy.

By 2019, the spread of Covid-19 disease, which began in China and then rose to pandemic levels around the world, has had a serious impact on the economies of many developing countries as well as developing countries. Of course, as a result of such processes of globalization and integration, countries will need to effectively develop a mechanism to ensure financial stability, taking into account external and internal factors that may occur in all segments of financial markets.

Main part

Since "financial stability" is a broad and multifaceted concept, its economic significance in the modern economic literature, the systematization and interpretation of descriptive valuation indicators are different and not fully explained. It is important to study the limits of methods of assessing financial stability in the activities of joint stock companies and

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the most effective use of their entire system, as well as their criteria, taking into account terminology, algorithms of indicators and their interpretation, ownership and industry characteristics.

It should be noted that the concept of "financial stability" is a broader concept than the concept of "solvency", and it should be noted that the indicators of solvency change faster than the indicators of financial stability. Economist A.V. Grachev connects "financial stability" with the ability to pay, considering it in terms of accumulating resources to meet its financial obligations for a specified period [4]. However, such an interpretation of the economic nature of 'financial stability', in our view, raises the problem of choosing between accumulating resources and reinvesting profits.

In general, in terms of ensuring the stability of the financial system, the Western economist M.Foot gives the following opinion, namely, financial stability: a) the stability of funds; b) the level of employment of the population in the economy; c) market agents' confidence in financial institutions and markets; g) the absence of price fluctuations with respect to financial assets [6]. "Financial stability" also means that the important elements that make up this financial system work together [7]. According to professors Ch.Friedman and K. Goodlett of Carlton University in Canada, determining the financial stability indicators of companies is a complex process, which does not allow to form a complete picture of the financial stability of a particular indicator. 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, as changes in these indicators are in most cases directly influenced by the monetary policy of the state. In particular, the recent global economic and financial crisis requires a comprehensive study of these indicators [8].

Russian economist S.V.Kulikov considers the financial stability of an insurance company on the basis of two different approaches. In particular, according to the first approach it is (financial stability) "the presence of a fixed share of equity in the total amount of financial instruments", and according to the second approach, "the distribution and use of capital and profit growth to maintain the state of financial resources understood. The scientist added that there is no specific indicator or set of indicators that characterize financial stability, and in each case it is necessary to determine the range of indicators of financial stability in accordance with a particular situation.

According to N.Khasanov and S.Najbiddinov, financial stability is based on the assessment of the ratio of equity and debt to assets, the rate of accumulation of own funds, the ratio of long-term and short-term liabilities of the enterprise, the level of working capital [9]. According to A.Vahobov, N.Ishonkulov and A.Ibragimov, the effective formation, distribution and use of financial resources reflects the essence of financial stability [10]. According to A.U.Burkhanov, a scientist who has conducted research on scientific and practical problems of financial stability of enterprises in our country, financial stability is a complex indicator of enterprise activity based on profitability and debt repayment, the ability to finance its activities and the rapid development of resources [2].

Without ignoring the essence of the above research and relying on them, it must be acknowledged that the research on improving the financial stability of joint-stock companies operating in our country remains relevant. In this regard, it is important to study the practice of using modern models of financial stability assessment of companies in international practice, and to study this experience extensively, adapting it to our conditions.

Results and Discussions

Although the amount of a company's equity, the size of its assets, and its investment policy are indirect factors that affect its stability, the state of these financial indicators directly plays an important role in ensuring solvency and liquidity ratios. One of the important coefficients that characterize the state of financial stability of joint-stock companies is the indicators of their capital adequacy and crisis probability assessment. Accordingly, in the next part of the article we will analyze these financial stability coefficients on the example of Kafolat Insurance Company. In the process of financial analysis, several coefficients are used, which represent the value and amount of private capital of insurance companies. These are:

1. Coefficient representing the adequacy of private capital. This ratio shows the structure of financial resources and the extent to which the insurer's assets are secured by private capital. In the opinion of financial analysts and lenders, it is positive that the level of this ratio is as high as possible: private equity / total assets.

For insurance companies, the level of this ratio is 0.2 and above, and the determined result indicates that the company is operating in a moderate (normal) state. While insurance companies provide solvency levels at the expense of their own funds in the process of organizing their initial activities, in the subsequent stages of their activities, they provide them not only at their own expense, but also at the expense of insurance reserves. Accordingly, it is possible to ensure that the insurer has sufficient to cover its own funds. The assessment of its adequacy is given in the table below (Table 1).

2. The ratio of equity to liabilities shows how much the insurance company's own equity is higher than the amount of debt capital: private equity /

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liabilities. The minimum amount set for this ratio is 1, and the higher the result, the higher the solvency ratio, the higher the ability to meet obligations at their own expense.

Table 1. Quantitative indicators of the adequacy of private capital of companies [1]

№	Capital Adequacy Ratio	Evaluation indicators
1	< 0	Not enough
2	0 to 25% each	Normal
3	26 and 50% each	Good
4	51 and 75% respectively	Reliable
5	> 75%	High

3. The turnover ratio of private capital shows the turnover rate (periodicity) and efficiency of use of private capital of insurance companies during the analyzed period: total income / average value of private capital in the reporting period.

Depending on the trend of change in this indicator, shareholders can assess the effectiveness of the use of investments made by owners. In this process, not only the owners of capital but also the company can assess the efficiency of the use of capital formed in the course of its activities. In turn, if we talk about the marginal values of this coefficient, we can conclude that the higher the identified result, the more the insurance company has a development trend.

Conversely, as the value of this ratio decreases, the turnover of private capital slows down. In this case, the owners of capital will have to decide on a high return on investment in this area in another alternative direction.

4. The return on equity ratio of private capital reflects the efficiency of use of capital contributed by the owners of the company: profit before tax / average value of private capital in the reporting period.

The result determined by investors on this ratio allows to compare the income received by them by investing in alternative options or securities of other joint-stock companies. It should be noted that in the context of market relations, most companies carry out their activities through the formation of external funds in addition to their own funds. Of course, while the formation of additional resources at the expense of external sources increases the additional investment opportunities, it also leads to an increase in the level of risk on liabilities for the company. In our opinion, it is for insurance companies that it is preferable that the amount of private capital be higher than the debt obligation, ie the amount of private capital should be higher than the debt capital. It should be noted that the ranking of insurance companies is one of the main factors in the assessment of capital-related indicators in national and international practice, not the efficiency of the use of borrowed funds, but the amount of private capital. In our opinion, in determining the rating of insurance companies based on the concepts of financial management, it is necessary to introduce the practice of evaluating not only the amount of private capital, but also the effectiveness of the use of debt capital.

From the above capital adequacy ratios, we analyze the example of Kafolat Insurance Company (Table 2).

Table 2. Analysis of private capital adequacy ratios of Kafolat Insurance Company [2]

№	Indicators	2015	2016	2017	2018	2019	change (+,-)
1.	Equity capital (million soums)	35832,1	39919,3	43681,3	48504,9	55536,7	7031,8
2.	Total assets (in million soums)	75267,1	84601,1	107928,9	117260,4	165773,8	48513,4
3.	Liabilities (in million soums)	5254,6	6592,1	14248,5	11483,5	10965,7	-517,8
4.	Total income (in million soums)	44588,9	60275,1	70033,1	87957,7	108024,1	20066,4
5.	Average amount of capital (in million soums)	37875,7	41800,3	46093,1	52020,8	59065,05	7044,25

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[1] Author's compilation

[2] Calculated by the author on the basis of annual financial statements of the joint-stock company "Kafolat Insurance Company".

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							Normal range
6.	Profit before tax (in million soums)	3063,2	3567,4	4306,1	4310,9	7160,4	2849,5
Appropriate coefficients							Normal range
7.	Coefficient representing the level of capital adequacy	0,4760	0,4718	0,4047	0,4136	0,3350	0,2
8.	The ratio of equity capital to liabilities	6,8191	6,0556	3,0656	4,2238	5,0645	1
9.	Equity turnover ratio	1,1772	1,4419	1,5193	1,6908	1,8289	economic growth
10.	Return on equity	0,0808	0,0853	0,0934	0,0828	0,1212	economic growth

It can be seen from the table that all the results identified by the joint-stock company "Kafolat Insurance Company" on the adequacy of private capital for 2015-2019 have a positive trend. As a general conclusion, it can be seen that the company has sufficient capital in the performance of its obligations and there are no problems in the performance of obligations on insured events.

It should be noted that the result of the coefficient of adequacy of equity capital in 2015-2018 was 2 times higher than the norm, but by 2019, the ratio decreased by almost 70% compared to the previous year. If we look at the ratio of equity to liabilities, this figure reached a high level in 2015-2016 and 2018-2019, and in 2017, liabilities tended to decrease as a result of almost 2.5 times the amount of private capital. The equity turnover ratio has been growing at the same rate over the years, indicating an increase in the efficiency of the use of investments made by investors. Similarly, the rate of return on equity, which is one of the key indicators in assessing financial stability, has a growth rate, and it can be concluded that the efficiency of the use of capital by the company is high.

Conclusion

Continuing the conclusions on the effectiveness of the joint-stock company "Kafolat Insurance Company", it is possible to cite the normative documents that are now accepted as external factors affecting the financial stability of the company. It should be noted that factors such as increasing the authorized capital of insurance companies, setting standards for the amount of insurance reserves are a strong source of protection of the interests of direct insurers, timely receipt of insurance coverage,

fulfillment of obligations by insurance companies. However, given that insurance companies are a major player in financial markets and one of the financial institutions with available financial resources, such restrictions and requirements may reduce investment opportunities and limit additional opportunities to ensure financial stability.

Assessing the financial stability of joint stock companies is one of the most important issues for all participants in the financial market. The financial stability of insurance companies is a process that is difficult to assess only within certain indicators. Although a normative and legal document has been developed to assess the effectiveness of joint-stock companies with a state share in the charter capital, the provisions of this Regulation do not apply to commercial banks and insurance companies.

In our opinion, in assessing the efficiency and financial stability of insurance companies, a Regulation based on international standards and the methodology of calculation of international rating agencies should be developed and implemented. As a result, along with the development of a competitive environment among insurance companies, there is an opportunity to further increase the attractiveness of investors.

Effective organization of the financial stability monitoring mechanism of joint-stock companies will allow minimizing the level of lost opportunities in achieving the company's strategic goals, econometric forecasting of financial stability, assessment of financial risks. Based on the experience of international practice, the introduction of "due diligence" in insurance companies serves to ensure the transparency of information, as well as to assess the company's future investment opportunities.

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