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PARTICIPATION OF INSURANCE COMPANIES IN PROJECT FINANCING THROUGH SECURITIES

Abstract. This article focuses on the current situation, participants and problematic aspects of the national capital market in the study of participation of insurance companies in project financing through securities. Based on the analysis, appropriate conclusions and proposals are formed.

Keywords: project, project financing, financing, capital market, securities, insurance companies, stock, bond.

Introduction

In the effective implementation of economic reforms in our country, it is important to organize innovative development, create a healthy investment environment, and attract institutional investors, especially, insurance companies to the economy. In this process, it is necessary to attract insurance companies not only to the real sector, but also to the capital market, to create the necessary conditions for their investment, and to develop the capital market by ensuring the participation of insurance companies. Insurance companies are active in the capital market in order to effectively use their financial resources, expand their activities, and especially maximize profits in global stock market. As a result of increasing the activity of insurance companies in the capital market, it is possible to develop the local capital market, effectively use free funds, increase investment attractiveness, and develop local enterprises as well as financing projects. It is necessary to develop the local capital market and increase the activity of institutional investors based on the study of the activities of institutional investors in the capital market of developed and developing countries. By attracting foreign institutional investors, it is possible to develop the capital market in our country, ensure the introduction of new techniques and technologies, develop the infrastructure of the capital market, and increase the activity of institutional investors in the capital market. Therefore, participation of insurance companies in project financing through securities becomes urgent.

Literature Review

Researches have been carried out by various scientists in order to effectively establish the activities of institutional investors in the effective formation of the capital market, to create the necessary conditions for their free operation, to increase investment attractiveness, and to ensure the openness and reliability of information. “A capital market is an organized market where individuals and businesses buy and sell debt securities and equity securities. It is a major source of funding for companies whose securities are allowed to trade by market regulators, as companies can easily sell their debt obligations and equity to investors. Governments also use capital markets to raise funds, usually by issuing long-term bonds” [1]. The possibility of government participation in the capital market increases the importance of this market.

“The capital market is a long-term securities market, usually covering securities with maturities of more than one year. The importance of capital markets for the efficient transfer of funds between borrowers and lenders cannot be overlooked” [2]. It should be noted that the possibility of long-term attraction of capital in the capital market is convenient for capital attractors. It is also necessary to emphasize the importance of the redistribution of funds in the capital market and the development of the economy.

"The capital market plays an important role in the efficient use of financial resources and, at the same time, is effective in purchasing long-term financial assets. It also provides an investment opportunity for individuals and financial institutions” [3].

According to foreign scientists R.A.Lambert, C.Leuz, R.E.Verrecchia, "an institutional investor is defined as an investor who has market power and thereby affects information transfer and pricing in the stock market" [4]. These highlighted aspects help to represent the impact of institutional investors on the capital market.

F.Wen, K.Zou, X.Wang highlighted a number of features of the activity of institutional investors. "As a legal entity, institutional investors invest in securities using their own funds or public funds. As institutional investors own the majority of assets under management, they play an increasingly important role in the stock market, and their activities are receiving widespread attention” [5]. This indicates that institutional investors can actively participate in the international capital market, both with their own assets and with borrowed capital.

In order to widely attract investments to the economy of our country, the issues of "development of local capital markets, in particular, attraction of capital for lending to small and medium-sized business entities through the issuance of bonds" [6] have also been studied on a large scale, and these aspects further increase the importance of the capital market.

According to S. Elmirzaev, "in order to attract potential investors, it is necessary to take into account the level of taxation in the country where the investor's activities are organized in the process of making presentations. Because in countries with a high tax burden on dividends, the level of desire to see income by buying shares is extremely low" [7]. In order to develop the capital market, this aspect should also be taken into account by the state.

A. Alikulov noted that "the capital market is a market where medium and long-term securities are traded" [8]. He also paid attention to the issues of increasing the possibilities of attracting capital from the capital market, applying foreign experience in the development of the capital market to the national practice.

Research methodology

The methods of scientific abstraction, statistical analysis, systematic analysis, comparative analysis, analysis, and synthesis were used to study participation of insurance companies in project financing through securities.

Analysis and results

If we pay attention to the participation of insurance companies in the capital market of our country, we can say that the indicators of insurance companies indicate that there are a number of issues that need to be resolved in the capital market. In particular, if we study the results of the participation of institutional investors in the trading operations of RFB “Tashkent”, we can see that banks, insurance companies, etc. are the main participants (Table 1). Table 1 shows the results of the participation of institutional investors in trade operations at RFB "Tashkent", according to which insurance companies bought securities of banks worth 5933.9 million soums. Moreover, insurance companies bought securities worth 1,754.6 million soums of

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state-owned companies. Other companies bought securities of banks worth 6535.3 million soums, securities of insurance companies worth 10159.7 million soums.

Table 1

Analysis of the participation of insurance companies in the trading operations of RFB "Tashkent" (as of February 1, 2022) [9]

№	Investors in a short position	Investors in the buying position (million soums)		
		Individual	Insurance Companies	Other Companies
1.	Banks	1500,2	5933,9	6535,3
2.	State, local government or foreign organizations	-	-	32607,1
3.	Individual investors	13485,7	10,4	700,6
4.	Insurance companies	1,7	-	10159,7
5.	Other companies	4836,6	-	-
6.	Companies with a state share	-	1754,6	-

It is necessary to analyze the profitability of the shares of institutional investors and other joint-stock companies participating in our local capital market in order to attract free money in the hands of the population to the capital market, create conditions for the active participation of local and foreign investors in the capital market, and thereby develop the capital market.

Figure 1 shows the volume of transactions with securities at RFB "Tashkent" over the years, from 0.3 trillion soums in 2017 to 4.8 trillion soums in 2022. The significant increase of this indicator in recent years is due to the fact that public offering of stocks is organized in the national practice and due to the implemented measures.

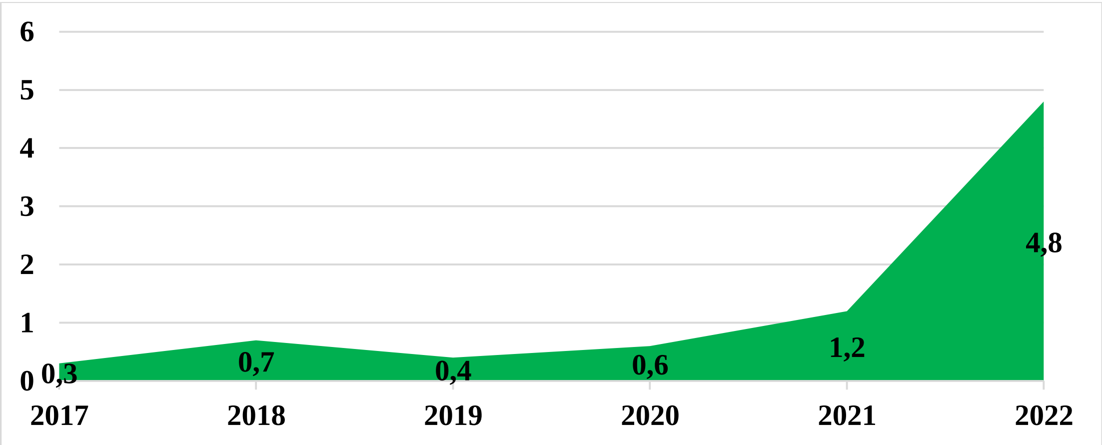

Figure 1. The volume of transactions with securities at RFB "Tashkent" (trln. soums) [11]

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Table 2 presents the analysis of stock returns of institutional investors and other joint-stock companies in Uzbekistan. In this table, 25 institutional investors (4 commercial banks, 5 investment funds and 16 insurance company).

Table 2

Analysis of profitability of shares of institutional investors and other joint-stock companies in Uzbekistan (2022) [10]

№	Joint-stock companies	Date	Amount of dividend (soums)	Return on shares (in relation to nominal value, %)
Institutional investors				
1	"Mirzo Ulug'bek" JSC IF	9.09.2022	312,50	50,00
2	"Olim-F" JSC IF	7.09.2022	50,00	50,00
3	"Capital Bank" JSC	17.08.2022	65,09	6,51
4	AITB "Silk Road".	7.07.2022	0,69	6,90
5	"Alskom Insurance Company" JSC	5.07.2022	138,00	10,00
6	JSC "Trustbank".	29.07.2022	123,00	12,30
7	"DD General Insurance" JSC ST	27.06.2022	30,34	3,03
8	"Global Insurance Group" JSC ST	16.06.2022	30,00	3,00
9	"Gross" insurance company JSC	15.06.2022	290,0	29,00
10	"My Insurance" JSC ST	10.06.2022	124,16	12,00
11	"Baraka" IF	8.06.2022	21,00	21,00
12	"Inson Insurance" JSC	7.06.2022	3,68	3,68
13	"Revenue Plus" JSC IF	3.06.2022	250,00	50,00
14	"Agros Hayot Insurance Company" JSC	3.06.2022	30,34	3,03
15	JSC "Euroasia Insurance" SC	1.06.2022	219,54	22,00
16	"New Life" insurance company JSC	24.06.2022	297,00	29,70
17	Insurance company "Asia Insurance" JSC	26.05.2022	184,30	18,40
18	Insurance company "SQB Insurance" JSC	24.05.2022	5,57	0,56
19	"APEX Insurance" JSC	10.05.2022	39,31	3,93
20	"Ingo-Uzbekistan" insurance JSC	21.04.2022	311,00	23,92
21	"Uzbekinvest" export-import insurance company JSC	9.07.2022	15,22	1,52
22	"Aria" insurance organization JSC	29.06.2022	31,50	3,15
23	"Semurg" IF JSC	26.03.2022	100,00	100,00
24	"Garant Bank" JSC	24.06.2022	1,32	1,32
25	JSC "RAILWAY-INSURANCE" JSC	21.06.2022	227,49	22,75

Based on the above analysis, we should note that the profitability level of the shares of most of the participants of the local capital market is not satisfactory. In order to attract free funds of potential investors to the capital market, the profitability of securities in the capital market should be at a satisfactory level. Otherwise, potential investors can direct their funds to bank deposits or other business activities based on their potential and experience to get more income.

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Conclusions

The following conclusions were formed in the study of participation of insurance companies through capital market in project financing. In order to develop the participation of insurance companies in project financing through securities, we believe that it is appropriate to focus on attracting foreign institutional investors, especially, insurance companies, as investors and financial intermediaries. Therefore, it is necessary to create conditions for foreign insurance companies and investment intermediaries, to participate in the local capital market. In particular, it is necessary to provide insurance companies and investment intermediaries with the opportunity to carry out securities underwriting activities without obtaining a license. In this case, it is necessary to develop special requirements and criteria for foreign insurance companies and investment intermediaries to carry out securities underwriting activities without obtaining a license.

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