

Activity of Insurance Companies as Institutional Investors

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Abstract: In the article insurance companies activities of were systematically studied as institutional investors in the securities market. It was also analyzed the investment activities of insurance companies in our country as issuers and investors in the article. The article also examines the shares issued by insurance companies as issuers in the stock market in order to improve their investment activities, their role among institutional investors, and the current state of the contribution of large joint-stock companies. (редакция қилиш керак).

Keywords: securities market, stock market, institutional investors, insurance company, investment funds, pension funds, commercial bank deposits, securities, loans, real estate, participation in the statutory fund of organizations, collective investment institutions.

INTRODUCTION.

The value of shares issued by insurance companies operating as institutional investors (issuers) in the stock market is 2,1 trillion soums¹, which is only 1.18% of the total shares issued by joint-stock companies (JSC) in our country. This situation proves that it is an important and urgent problem to improve the influence of the country's financial potential on sustainable economic growth with the help of insurance companies as an institutional investor, and to systematically analyze the placement of insurance companies' funds on investment objects.

In the economic reforms carried out in our country, the main emphasis is on increasing the investment activity of the financial sector of the economy, in particular, insurance companies, that is, on reducing the state's share in order to create a competitive environment in the economy. For this purpose, measures to expand the size of the stock market of our Republic with the participation of insurance companies, i.e. "Universal Sug'urta" in order to further develop the capital market, expand the practice of privatization of state stock packages through the capital market, encourage the population to invest in securities and create a healthy competitive environment in the financial market The secondary public offering (SPO) [1] of 14,48% of the state share of the joint-stock company and 5,21% of the shares of the joint-stock company "Alskom" is of great importance.

LITERATURE REVIEW.

As a legitimate and objective result of the development of market relations, it is possible to emphasize the emergence of new financial institutions. Such financial institutions include

¹www.deponent.uz

insurance companies that actively participate in the transformation of savings into investments. In international practice, the interpretation of insurance companies as an integral part of institutional investors, according to U. Sharp, who is considered one of the leading economists in the world economy, "when discussing the increasing importance of institutional investors in the American stock market, the main attention is paid by pension funds, insurance companies, and trust operations departments of banks focused on increased investments. The total share of these organizations is more than half of the share capital issued by American corporations» [5].

According to scientists and experts, among those who researched insurance companies as institutional investors, the most perfect definition was recommended by B. B. Rubtsov: He mentioned that "institutional investors mean institutions such as insurance companies, pension funds and collective investment institutions" This structure is unique to the experience of Uzbekistan.

Uzbek economist-scientist A.T. Uzokov also interprets the investment activities of insurance companies as follows: "Institutional investors are specialists who are paid for managing someone's money. They are employed by financial institutions, for example, banks, insurance companies, mutual and pension funds, as well as financial corporations, and in special cases - private (individual) individuals» [7]. In this definition, privatization investment funds, which acted as investment intermediaries in the privatization and expropriation of state property, were ignored.

One of the successful attempts to distinguish institutions that can be described as institutional investors from the composition of financial intermediaries was made by F. Davis and B. Steel [8]. "Institutional investors are considered as specialized financial institutions that manage their collective deposits in the interests of investors. The main focus is on obtaining the maximum return on investments and the existence of risks in fulfilling obligations". This concept is specific to institutional investors and the collective savings management process.

Also, in the course of our research, the study of modern scientific-theoretical foundations of using the concept of institutional investor in the stock market of Uzbekistan laid the groundwork for the creation of an author's definition of the concept of institutional investor in the future.

That is, "institutional investors are specialized professional investment institutions that aim to collect the funds of small and large investors, who do not have the opportunity to participate in the financial market, into a single portfolio, that is, to accumulate and, as a financial intermediary, to profit from investing these funds in financial market instruments". [9] In this case, it can be recognized that a certain part of the funds attracted by the insurance companies through their main activity is also placed in securities instruments as an investment object.

RESEARCH METHODOLOGY.

The laws of economic systematization are important in the systematic analysis of the development of institutional investors in the Republic of Uzbekistan and in the improvement of the scientific methodological apparatus of conceptual foundations. As institutional investors, the methodology of researching investment activities of insurance companies, in turn, requires conducting research based on the rules of economic systematization. Scientific research methods such as systematic analysis, institutional analysis, functional analysis, comparative analysis, analysis and synthesis were used in this research process.

RESULT AND DISCUSSION.

The activities of various entities in the securities market are governed by the Law of the Republic of Uzbekistan No. O'RQ-387 of June 3, 2015 "On the Securities Market"[2] , and insurance companies are governed by the Law of the President of the Republic of Uzbekistan No. PQ-872 of May 21, 2008 "Additional Measures on the Development of the Insurance Services Market"[4] according to this, it has the right to carry out professional activities as an

investment intermediary in the stock market from the moment of obtaining a license to carry out insurance activities at the Ministry of Finance of the Republic of Uzbekistan (no additional license is required to carry out professional activities as an investment intermediary in the stock market). If insurance companies are formed on the basis of share capital, then they, as issuers of shares, must also comply with the Law of the Republic of Uzbekistan dated May 6, 2015 No. O'RQ-370 "On Protection of Joint-Stock Companies and Shareholders' Rights"[3]. At the same time, it has the right to issue other types of securities in the framework of emission activities in the securities market. Figure 1 below analyzes the share of issued shares of insurance companies operating as joint-stock companies in our republic in the volume of institutional investors.

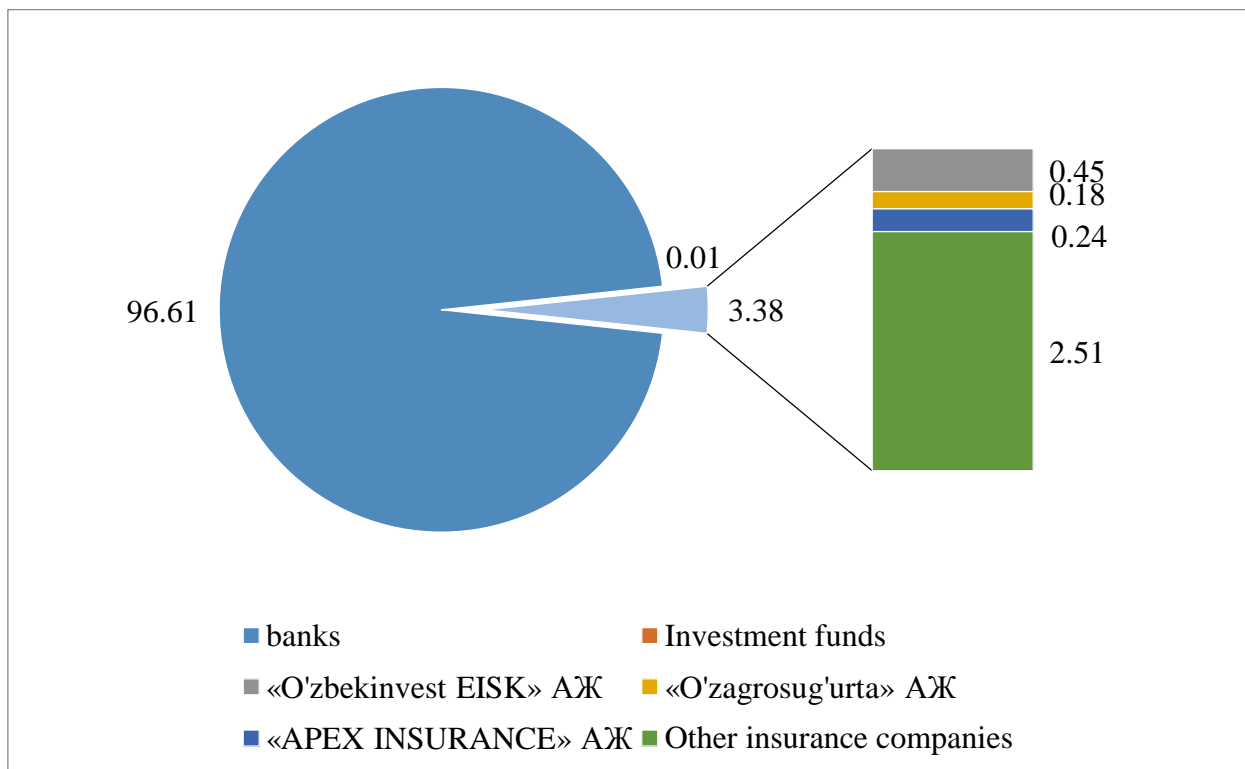


Figure 1. As of April 1, 2023, the volume of shares put into circulation by institutional investors of Uzbekistan and the share of insurance companies in it, in percent²

As can be seen from the data of Figure 1, as of April 1, 2023, shares worth 62.4 trillion soums were put into circulation by the institutional investors of our republic, of which 96.61% or 60.3 trillion soums belonged to banks. Investment funds with a high position in the world stock market have little influence on our national economy, they have issued only 2.32 billion soums worth of shares, and the contribution of institutional investors is close to 0.01%, while the remaining 3.38% or more than 2.1 trillion soums insurance companies contribute. This indicates that the number of insurance companies as issuers was only 9 at the beginning of 2019, and now their number has reached 45. Also, if we analyze the data of insurance companies with a high share among institutional investors, the insurance company in the form of "Uzbekinvest EISK" JSC, which has issued shares worth 282.2 billion soums, has the highest share with 0,45%. The volume of issued shares of "O'zagrosug'urta" JSC is equal to 108,9 billion soums, and the share of institutional investors is 0,18%, while "APEX INSURANCE" JSC has 152,0 billion soums and a share of 0,24%, respectively. The remaining 42 insurance companies in the form of joint-stock companies put into circulation shares worth 1 381,7 billion soums, but their share in the total share is only 2,51%.

² <https://deponet.uz>. information. This information is quoted as of September 1, 2022.

In the stock market of developed countries, funds of insurance companies are mainly placed in the stock market. Figure 2 below shows information on the allocation of funds by insurance companies of our republic to investment objects. Figure 2³.

In this figure 2, the analysis of the placement of funds of insurance companies operating in our Republic in the period of 2015-2022 in the section of investment objects was carried out. According to this, in 2015, 758,3 billion soums were allocated by insurance companies for investment purposes, and by 2022, this amount reached 4 751,7 billion soums, or 6,3 times more compared to the comparison period. This result, as mentioned above, can be explained by the increase in the number and income of insurance companies.

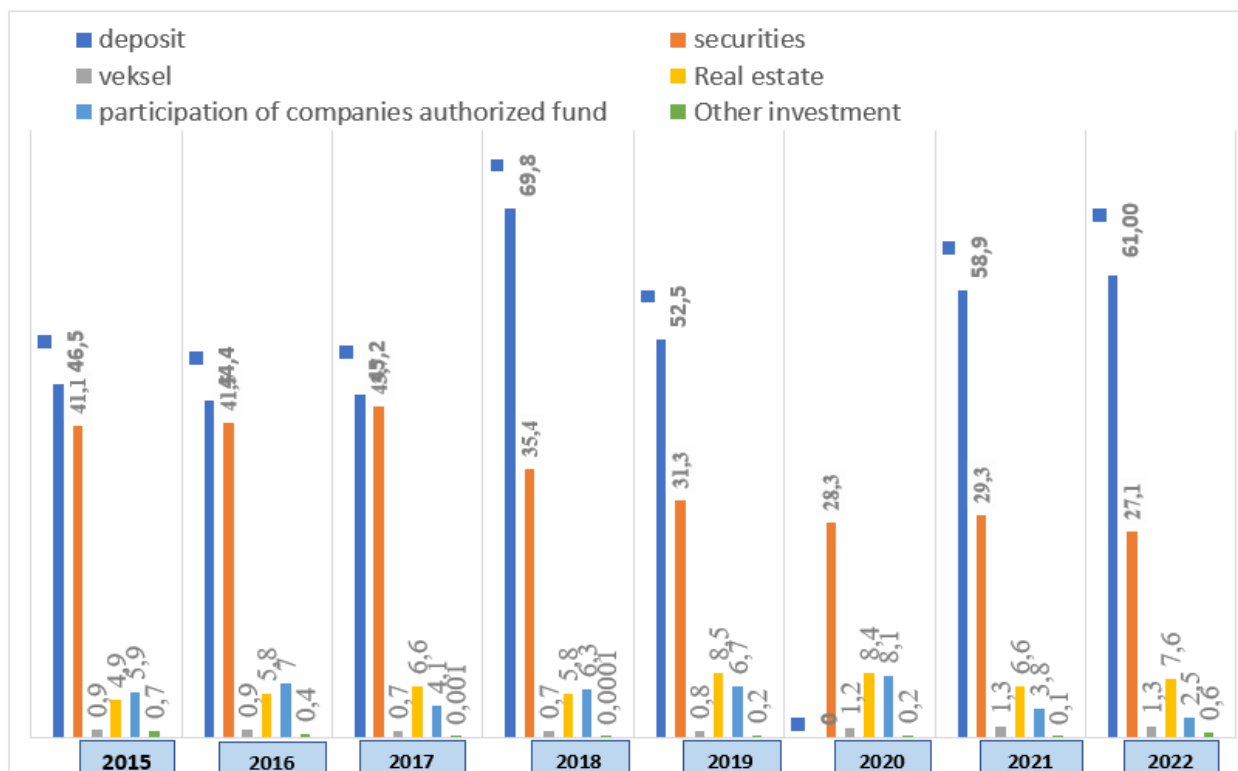


Figure 2. Placement of funds of insurance companies by investment objects (%).

Fund investment by insurance companies during 2015-2022 if we analyze the direction, the main part of them corresponds to the share of deposit (deposit) and securities. In particular, in 2015, 350,1 billion soums or 46,5% of the funds were allocated to the deposit, and by 2018, 1 034,3 billion soums were allocated and accounted for 69,8%. Later, insurance companies reduced the share to 50-60% in order to comply with market laws and principles of diversification, as well as to reduce the level of risk.

Insurance companies allocated 309,0 billion soums or 41,1% of funds to securities in 2015, while their highest share was 643,9 billion soums and 43,7% in 2017. Later, the share of funds directed by insurance companies to securities decreased and by 2022 it decreased to 1 277,9 billion soums or 27,1%.

As can be seen from the data of Figure 2, within the investment policy of insurance companies, it is possible to recognize the share of funds invested in the authorized fund of real estate and other economic entities as prospective investment objects. In particular, the share of funds directed to real estate increased from 36,8 billion soums or 4,9% in 2015 to 258,9 billion soums by 2022. or increased to 7,6%. During this period, the share of funds invested in the charter fund of other economic entities increased from 44,6 billion soums or 5,9% in 2015, the highest share increased

³ <https://imda.uz>.

to 285,3 billion soums or 8,1% by 2020, and then by 2022 the total share decreased to 118,2 billion soums or 2,5%.

The main goal of the investment policy of insurance companies is to ensure the profitability of their funds, like other institutional investors. Therefore, when choosing investment objects, the central bank's refinancing rate and the factors affecting the yield of securities are taken into account.

Given that one of the goals of insurance companies is to preserve the value of the funds at their disposal, while obtaining the highest possible return on them, it is possible to observe that their attitude towards securities is changing.

SUMMARY

As institutional investors in the stock market, investment activities of insurance companies at the level of demand allow them to actively participate in the global redistribution of funds of any shareholder, as an effective intermediary between business and the population. We consider the following suggestions appropriate for improving the investment activities of insurance companies:

1. The implemented economic reforms are aimed at increasing the role of insurance companies in the economy, creating the ground for becoming a professional, indispensable, profitable and one of the most significant participants of the stock market. Therefore, it is advisable to use professional intermediaries of the stock market to increase the income of insurance companies through securities instruments.
2. In order to increase their activity in the stock market, insurance companies should establish a professional activity of a trustee of investment assets.
3. Popularization of stock market trading can be achieved by increasing the financial literacy of the population. This, in turn, leads to widespread use of electronic software.
4. Insurance companies can increase the value of their shares in the stock market only by actively trading them. In 2023, only "Kafolat", "Alskom", "Temiryolsug'urta" and "Kapital sug'urta» are participating in the "Tashkent" RFB in order to ensure the quotation price of their shares.

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