

IMPROVING THE PRACTICE OF ATTRACTING FINANCIAL RESOURCES FROM THE INTERNATIONAL CAPITAL MARKET TO THE CORPORATE SECTOR OF THE ECONOMY

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ABSTRACT

This article discusses ways to improve the practice of attracting financial resources from the international capital market to the corporate sector of the economy. Furthermore, the capital market has been analyzed not only in theoretical fundamental research but also in practical research. In addition, the volume of securities trading on the stock exchange of the banking sector of the economy and the attraction of financial resources through the stock market by enterprises of the financial sector of the economy were analyzed. The main advantages of commercial banks over other participants in the stock market and the analysis of the capital structure and its impact on financial results in the joint-stock company "Capital Insurance" are analyzed. The need for financial resources for enterprises and organizations with high investment activity related to construction, expansion and modernization of production capacity, launch of new types of products and increase exports, which are observed today in all sectors of the economy of Uzbekistan, has been studied and analyzed. It is also necessary to modernize the corporate sector for the conditions of digital economy, technical and technological renewal, sharply increase its competitiveness, increase export potential, create new industries based on innovative and energy-saving technologies, master the production of new types of goods in demand in the world market. Conclusions and recommendations have been developed to increase the effectiveness of the investment policy pursued by the banking system in ensuring financial and economic stability.

CCS CONCEPTS

• corporate sector; • international capital market; • financial resources; • banking sector; • digital economy financial sector enterprises; • stock market; • Capital Insurance JSC; • foreign investment; • international Eurobonds; • financial market.;

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1 INTRODUCTION

In ensuring the economic development of the country, it is necessary to identify existing problems and shortcomings in the field of capital market development, as well as to develop comprehensive measures to address them. In addition, it is expedient to develop practical recommendations for the use of foreign experience in the development of the capital market in national practice, making effective use of foreign experience.

In our country, special attention is paid to providing the corporate sector with additional financial resources and raising the international sovereign credit rating by attracting financial resources from the international capital market. The transformation of the corporate sector into a participant in the international capital market, along with increasing their international integration processes, further increases the possibility of introducing innovative technologies into production processes [1].

It should be noted that the formation and effective use of financial resources from domestic sources is important in the development of the country's economy, but the growing demand for financial resources makes it necessary to attract financial resources from international capital markets. Today, for the first time in the history of Uzbekistan's independence, the first positive results have been

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achieved by placing corporate Eurobonds on the international stock exchange.

Bonds placed by a country or companies in foreign currencies on foreign stock exchanges to finance large investment projects and industries are called Eurobonds. Our country is carrying out large-scale economic reforms and structural changes aimed at ensuring the stability of macroeconomic stability and radically improving the investment climate in the country for private, including foreign investment. However, the country's integration into international capital markets is not carried out at the required level, which limits the ability to attract additional sources of external financing and expand their scope. The study shows the need to obtain corporate ratings by leading banks and large enterprises of Uzbekistan, as well as a sovereign credit rating of the country, which significantly expands the country's ability to attract foreign investment and debt without state guarantees. It should be noted that in recent years, a large-scale work in these areas is being carried out in our country [2].

In particular, in February 2019, for the first time in the history of Uzbekistan, Eurobonds were placed on the market at the London Stock Exchange, one of the most prestigious stock exchanges in the world. At the same time, it placed 5-year \$ 500 million Eurobonds at 4.75% and 10-year \$ 500 million Eurobonds at 5.375%. The repayment periods are set at 2024 and 2029 [3].

Initially, the coupon range was set at 5.625 to 5.75 percent and 6 percent, but due to high demand, Uzbekistan revised interest rates to 4.75 percent and 5.375 percent, respectively. About \$ 3.8 billion in bids were received from about 150 institutional investors. From a state perspective, the majority of 5-year and 10-year bonds purchased were purchased by British investors (39 percent and 32 percent, respectively), while American investors purchased 23 and 31 percent of the bonds. European investors accounted for 32 per cent and 27 per cent, while investors from Asia, the Middle East and North Africa accounted for 6 per cent and 10 per cent, respectively.

The majority of Eurobonds - 75% and 78% - were bought by management funds, 20% and 16% by insurance companies and pension funds, 5% and 6% by banks. A total of 1,000.0 mln. The annual interest expense on international bonds in the first five years is \$ 56.63 million. In the last five years, interest payments on 10-year international bonds have been made only in the amount of 26.88 million US dollars. USD. The total amount of interest expense on these international bonds over 10 years is \$ 387.50 million. Equivalent to the U.S. dollar [4].

Ensuring the implementation of the State Program for the implementation of the Action Strategy for the five priority areas of development of the Republic of Uzbekistan in 2017-2021 in the "Year of Active Entrepreneurship, Support of Innovative Ideas and Technologies", as well as expanding and diversifying sources of foreign funding. In order to increase and create favorable conditions for attracting foreign investment, on July 21, 2018, the President of the Republic of Uzbekistan adopted Resolution No. PP-3877 "On additional measures to diversify sources of external financing" [5].

In accordance with the legislation of our country, financial resources from international Eurobonds are allocated for specific purposes in accordance with the relevant regulations adopted by the President of the Republic of Uzbekistan and the Cabinet of Ministers. Accordingly, in order to rationally allocate funds from

the successful placement of sovereign Eurobonds of the Republic of Uzbekistan, on April 2, 2019 the President of the Republic of Uzbekistan adopted Resolution No. PP-4258 "On effective use of funds from the placement of the first sovereign international bonds of the Republic of Uzbekistan" [6].

1.1 Analysis of the relevant literature

Based on the above, it should be noted that the capital market is a multifaceted concept not only in theoretical fundamental research but also in practice, covering a wide range of activities and areas, including manufacturing, financial and non-manufacturing, depending on the objectives and object of research.

Based on the content of this paragraph, in the next stage of our research we will focus on the theoretical and conceptual foundations of the capital market and their content.

The main sources of financial resources and capital for economic entities are the financial market and capital markets. Therefore, based on the analysis of scientific approaches to the interpretation of the categories "Financial Market" and "Capital Market", we can draw the following conclusions. As scholars who have studied the characteristics of the modern capital market have pointed out, "the capital market is a broad concept not only in economics but also in practice, and it encompasses a wide range of activities, depending on the objectives and objects of study."

According to Kovalev V.V, the author of scientific works in the field of finance, financial management, "the capital market is a market in which long-term capital and debt obligations accumulate and circulate. This market is the main type of financial market, through which companies will be able to find financial sources for their activities. Dvoretzkaya A.E., who conducted research on the role and importance of the capital market in ensuring economic growth. According to him, "the capital market is a mechanism for the optimal distribution of funds and the effective transfer of national funds to investment" [8].

Authors of scientific articles on the capital market, its composition and characteristics Lapshina Z.V. and Praxt K.S. According to them, "the capital market is a part of the financial market, in which the circulation of funds with a maturity of more than one year." Kasimova M.I. "The capital market - the economic relations that arise between the subjects of economic activity - form the demand on the one hand, and the supply of investment goods on the other" [9].

German economists L. Perridon and M. Steine describe the capital market in their scientific work on corporate finance: "The capital market is an organized exchange trade in which securities are traded for more than a year." According to R.R Rubtsov, the author of many scientific works on the fundamentals of financial market regulation in the Russian Federation, "Financial market is a set of economic relations and institutions related to the movement of money capital." According to Ivanova V.V, author of the scientific monograph on modern views of the financial market and its structural segments, "the financial market is an area of financial transactions using financial instruments." According to F. Mishkin, the author of many scientific publications on the international financial market and institutions, their organizational and economic basis, "the financial

market is a market that serves to transfer money from people with surplus funds to those who lack money" [10].

It should be noted that many economists in our country are conducting research on the capital market and its institutional basis and main features. In particular, Professor Shokhazami Sh.Sh. According to him, the financial market is a system that manifests itself as a complex that creates the necessary market conditions for economic entities, purposefully implementing the relationship provided by an organized economic-legal mechanism associated with financial instruments equivalent to a monetized real investment base. The mechanism of this system is activated by all economic entities within the framework of the specific interests of each of them [11].

According to S.P Abdullayev, the financial market will ensure the movement of money in the economy, as well as the "uninterrupted" formation, effective use and investment of financial resources. It ensures the free movement of money invested between different areas of economic activity, the free and rational use of financial resources. In turn, the mobilization of money as capital for production strengthens economic potential, accelerates innovation, scientific and technological progress, and on this basis serves to further increase the welfare of the people "[12].

Professor S. Elmiraev considers the financial market as a generalization of the following markets: credit market, money-credit market, securities market, precious metals market, insurance and private pension market. The financial market is divided into money market and capital market according to the period of circulation of instruments. In the money market, cash, short-term means of payment, short-term savings of up to one year are organized. In the capital market, there is a "long money" circulation, in which stocks and bonds are mainly used. The term of treatment is more than a year. The main difference of the capital market from the money market is explained by the use of long-term investments [13].

The authors who conducted the research in this regard view the capital market as a financial market or as a credit market or as part of the stock market and or as a generalization of the stock market and the credit market. They include the capital market, the money market, the insurance market, the investment markets. In addition, scholars point out that the concept of "capital" market is not the same, which is due to the existence of different concepts of capital, the diversity of classifications of tools and objectives used in the financial market and capital markets. The similarity, complementarity, and substitution of these definitions have been extensively covered in the scientific literature.

The economic essence of the capital market is reflected in its specific functions (redistribution, property accounting, capital concentration, reproductive process) and general market functions (pricing, market mediation, transaction cost optimization, information). We therefore believe that the main criterion for determining the capital market is the interdependence of functions related to the redistribution of capital among market participants and the transformation of capital from savings to investment.

Adding to the definition of the capital market proposed by M.I Kasimova, it can be said that "the capital market is an economic relationship that arises between the subjects of economic activity, which on the one hand creates demand and on the other - the supply of investment products." In this regard, M.I Kasimova legally "links"

capital markets to investment goods, ie money, securities and other forms of value, the purpose of which is to make a profit [14].

Both long-term and short-term capital and liabilities are widely traded in the capital market. In the economic literature, the money (short-term) market is highlighted, and this can only be explained by the timing of the attraction of financial resources. In essence, as an economic category, "capital" as a value is specific to the capital market, in which value added is created, using long-term and short-term instruments.

The concept of entering financial instruments into the money market or capital market is conditional, and the relationship between market participants is determined by the duration of securities circulation or maturity of debt capital, as well as the targeted use of financial resources involved. Contractors "enter" the capital market and offer value-added instruments that are then converted into capital. The ultimate goal (target expression) of attracted short-term loans or short-term bonds is to replenish working capital [15]. Therefore, these instruments will be relevant to the capital market. The same is true of value instruments that circulate in the capital market and are attracted by entities in the long run, which in turn is due to the fact that they are related to the processes of reproduction of fixed capital. Since the capital market is a market in which instruments of value are circulating, it is necessary to determine the interdependence of the capital market and the financial market.

2 RESEARCH METHODOLOGY

Modernization of the corporate sector of the economy, technical and technological renewal, sharp increase of its competitiveness, increase of export potential, organization of new productions based on innovative and energy-saving technologies, development of new types of goods in demand in the world market. The investment policy pursued by the banking system in ensuring economic stability is bearing fruit. In 2019, commercial banks will allocate 88.3 trillion soums to finance investment projects of enterprises in the real sector of the economy. soums or 2.3 times more than in 2018 due to investment loans, including 2.1 bln. soums from foreign credit lines. Loans in the amount of USD were allocated. In 2018, the corporate sector will provide a total of 38.8 trillion soums to joint stock companies. UZS, which is 2.4 times more than in 2017 (Figure 1) [16]. At the same time, the investment activity of banks was primarily focused on ensuring timely and full financing of projects included in the Sectoral Development, Localization and Regional Development Programs.

During 2014, a total of 8547.2 billion soums were allocated by commercial banks for the modernization, technological and technical re-equipment of enterprises. soums or 1.2 times more than in 2013. In 2016, a total of 12,200.6 billion soums were spent in the country. UZS, which is 20% more than in 2015. By 2017, this figure will reach 14,400 billion. we can see that it has exceeded UZS.

The volume of shares of commercial banks sold on the secondary exchange market of Uzbekistan in 2015 amounted to 37.35%. The rest of the placement of newly issued shares of banks accounted for the primary market share. Figure 2 below shows an analysis of the volume of trades in bank securities on the Republican Stock Exchange "Tashkent", which shows that until the end of 2018, the bulk of trades are carried out by commercial banks. In 2016, the

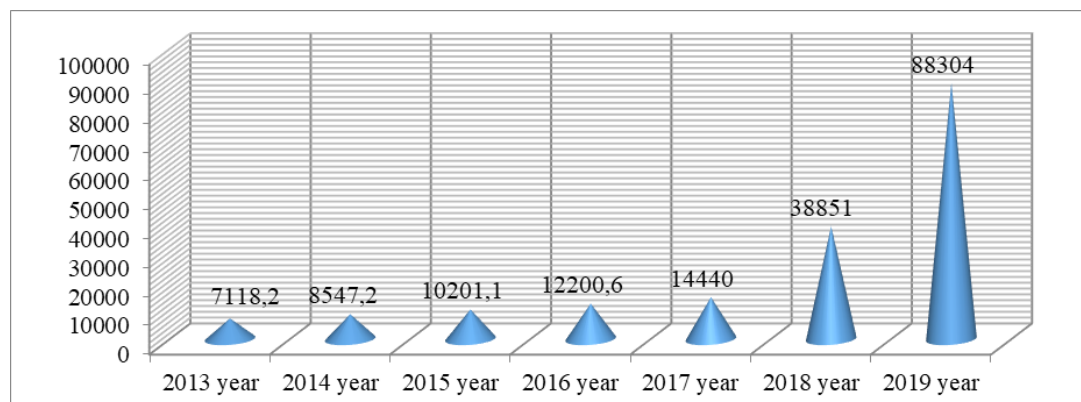


Figure 1: Volume of investment loans provided by commercial banks to corporate sector joint stock companies (in billion soums)

total volume of securities transactions by the bank amounted to 151.8 billion soums. At the end of 2018, their volume amounted to 591.6 billion soums. soums and the share of banks in the total trade volume was 86.1% [17].

In 2019, despite a slight decrease in the volume of trades in bank securities, the volume of trades of banks amounted to 319.5 billion soums and accounted for 72.8% of the total trade volume.

The advantage of organizing the participation of commercial banks in the interests of innovative development of enterprises in Uzbekistan is that they can participate not only as traditional lenders and financial market operators, but also as institutional investors, investment advisers, investment intermediaries and other professional participants in the securities market.

It should be noted that in recent years, a large-scale work has been carried out to sell commercial banks to international investors, gradually reduce the share of the state in the authorized capital. However, the opposite is true of the state share in the charter capital of Asaka Bank, which was selected as the object of analysis. In 2015, this figure was 67%, and in 2019 it will increase to 98.18%. In 2019, the volume of attracting financial resources from the stock market by joint-stock companies in the financial sector of the economy increased by 16% compared to 2018 and amounted to 281.9 billion soums compared to previous years. soums.

Of these, a total of 7,567 transactions were recorded. The most active banks in terms of the number of transactions were JSCB "Uzpromstroybank", JSCB "Khamkorbank" and JSCB "Ipoteka-Bank", which made 2763, 2002 and 1786 transactions with shares, respectively [18].

It should be noted that the high share of the state in the authorized capital of enterprises limits the aspiration to modern financial instruments in attracting financial resources from the capital market and an independent approach to innovation. In 2019, a total of 18 commercial banks of the country as a issuer of shares traded on the Republican Stock Exchange "Tashkent".

According to Table 1, in 2019, the financial sector of the country will spend 300.0 billion soums. While the amount of funds was raised through the issuance of shares, the volume of operations

remains low through the issuance of corporate bonds, which are an important tool in attracting financial resources [19].

Unfortunately, the results of the analysis show that the size of the corporate bond market, which is currently used in our country as an important source of funding by joint stock companies, is several times lower than in the countries with the lowest share among Asian countries. As of January 1, 2020, a total of 848.9 billion soums of 103 issuers were issued in the country. 164 corporate bonds worth UZS were issued (Figure 3). Of these, 116 were completely shut down and 27 were canceled. Currently, the number of bonds in circulation is 13, with a total value of 488 billion soums [20].

In particular, in 2019, Infin Bank will invest 100 billion soums. UZS 50 billion from Asia Alliance Bank UZS and UZB "Uzpromstroybank" 150 bln. UZS worth of corporate bonds were registered. During 2012-2017, a total of 183000.0 mln. UZS, of which 27.3% of the total issued bonds fell to the real sector of the economy, and the remaining 72.7% to the financial sector, to be more precise, to commercial banks. Another noteworthy aspect is that during 2015-2016 and 2018, no bonds or corporate bonds were issued by joint stock companies operating in either the real sector or the financial sector. In May 2017 alone, Uzavtosanoat JSC issued 50,000 corporate bonds.

In 2019, InfinBANK's corporate bonds were issued. The issuance of bonds was another important step in the bank's activities to strengthen the bank's position in the local banking and stock markets. Thus, in February 2019, the Capital Market Development Agency of the Republic of Uzbekistan issued a total of 100 billion soums in the amount of 100,000 units. Issuance of corporate bonds of JSCB "Invest Finance Bank" in the national currency in the amount of UZS 1 billion was registered [21].

3 ANALYSIS AND RESULTS

Based on international practice, the pace and quality of institutional strengthening and functional development of the emerging stock market in Uzbekistan largely depends on the activities of banking institutions that participate as the most reliable issuers, major institutional investors and experienced investment institutions.

Table 1: Amount of funds directed to increase the authorized capital of commercial banks (billion soums)

| № | Bank name | Published charter capital,billion soums | Additional issue of shares | | | | | |
|-------|-------------------------------|---|----------------------------|-----------|-------|---------|--------|---------|
| | | | Total | Including | | | | |
| | | | | 2015 | 2016 | 2017 | 2018 | 2019 |
| 1. | Asakabank | 5 683,0 | 4 972,9 | - | - | 1 582,8 | - | 3 390,1 |
| 2. | People's Bank | 2 039,1 | 1 691,8 | 54,0 | 62,0 | 744,7 | 436,1 | 395,0 |
| 3. | Industrial construction banks | 2 169,2 | 2 160,9 | 697,9 | 697,9 | 943,3 | 299,9 | - |
| 4. | Microcreditbank | 794,0 | 706,0 | 50,0 | - | 355,0 | 201,0 | 100,0 |
| 5. | Agrobank | 2 162,9 | 1 899,4 | 54,1 | 50,0 | 967,9 | 827,4 | - |
| Total | | 12 848,2 | 11 431,0 | 856,0 | 331,8 | 4593,7 | 1764,4 | 3 885,1 |

With the transition to new forms of management of most commercial banks in Uzbekistan, their shareholders and management have faced the problem of finding reliable and profitable sources of funding for innovative development programs for various areas of their activities. In recent years, they have realized that one of the most promising financial instruments to solve this problem is the issuance of equity and debt securities, which can attract real investment in the corporate sector of Uzbekistan.

The globalization and growth of financial markets, the global trend towards a high degree of integration of financial and industrial capital, as well as the traditionally high position of banks in the eyes of foreign investors are among the main external factors influencing the acceleration of investment to meet the needs of enterprises. The whole set of internal factors influencing the strengthening of banks' investment support for the innovative development needs of the national stock market should be divided into two major groups. The first is due to the high level of depreciation of fixed assets, low level of marketing research of potential product markets, lack of innovative enterprise development strategies in many enterprises, as well as professionalism of managers and underdeveloped national investment and financial infrastructure [22].

Enterprises themselves cannot solve the problem of attracting the required amount of investment in the form of long-term loans, leasing equipment or investments in their securities. Of all categories of financial institutions, only commercial banks are able to provide practical assistance to issuing companies in financing renewal programs due to the high level of capitalization, high diversification of their activities, as well as the availability of the necessary human and information resources. The second group of factors leading to the strengthening of banks' role as a locomotive for institutional strengthening of the country's stock market is the growing interest of the banking sector in further integration of industrial and financial capital, without which the Uzbek economy is unlikely to take its rightful place.

One of the main conditions for accelerating the issuance of banks in Uzbekistan was the growth of their issuance, which was based on the policy of the Central Bank of the Republic of Uzbekistan to increase the capitalization of commercial banks (Table 1) [23].

Table 1 shows the growth rates of the authorized capital of commercial banks by issuing additional shares by commercial banks during 2015-2019. The analysis shows that over the past 5 years the

authorized capital of the People's Bank has increased 7 times, Asaka Bank - 10 times, Sanoatqurilishbank - 3 times, Mikrocreditbank - 3.5 times and Agrobank - 6 times.

In recent years, the charter capital of most banks has been based on closed government subscriptions - through the placement of securities among pre-determined, limited number of investors without public announcement and without an advertising campaign. It should be noted that such an increase in the authorized capital of banks has led to an increase in the share of the state, which in turn is a negative factor affecting the development of the secondary stock market.

When talking about the conditions necessary for banks to expand the scope of operations in the securities market of Uzbekistan, it is necessary to show the three main investment advantages of commercial banks in the stock market, shown in Figure 2 [24].

The first advantage of banks is the operational advantage due to the use of third-party services, as well as the skillful use of appropriate management know-how, which has the flexibility to attach and recombine investment instruments. The second condition for the success of banking institutions in the securities market is the ability to make IT connections, given their proximity to partners and customers. The third advantage of banks is the high degree of flexibility of the services they provide, taking into account international banking supervision standards [25].

The tendency of commercial banks to participate in the emerging securities market as the largest institutional investor is explained by the fact that many of them have a high level of capitalization, strong databases on the status of its various segments, as well as qualified specialists in investment management. Having such important criteria of competitiveness opens up many opportunities for commercial banks of Uzbekistan to use a wide range of tools to finance innovative development programs of enterprises of the republic. It should be noted that commercial banks are the most experienced and investment institutions in the stock market of Uzbekistan. In addition to the above, the need of banks to expand the range and improve the quality of services for enterprises is associated with the emergence of serious competitors in the financial market of Uzbekistan in the form of more economically viable financial structures (investment funds, insurance) [26].

At present, Asaka Bank invests in government securities, which are the most reliable intermediaries in the securities market of the Republic of Uzbekistan, through the Currency Exchange of

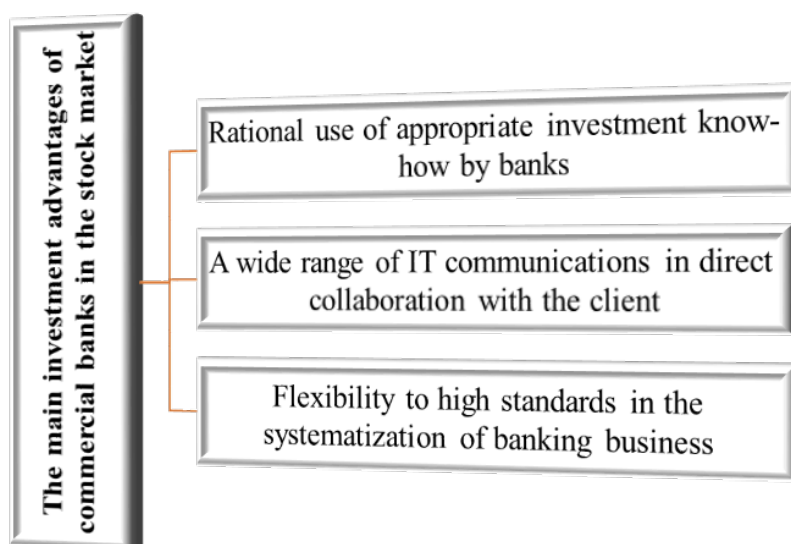


Figure 2: The main advantages of commercial banks over other participants in the stock market

Table 2: Information on the formation of sources of own funds of the Joint-Stock Commercial Bank "Asaka"

| № | Financial indicators | Years | | | | |
|----|--|---------|---------|----------|----------|----------|
| | | 2015y. | 2016 y. | 2017 y. | 2018 y. | 2019 y. |
| 1. | Authorized capital, bln. sum | 516,9 | 516,9 | 2098,8 | 2098,8 | 5683,03 |
| 2. | Number of ordinary shares, million pieces | 464,05 | 3712,42 | 15098,68 | 15098,68 | 40882,82 |
| 3. | Number of preferred shares, million pieces | 0 | 0 | 0 | 0 | 0 |
| 4. | Nominal value of the share, sum. | 1112,08 | 139,01 | 139,01 | 139,01 | 139,01 |
| 5. | Net profit, bln. sum | 85,1 | 95,3 | 51,0 | 120,5 | 166,5 |
| 6. | The share of the state in the authorized capital, in% | 67,0 | 67,08 | 87,0 | 87,0 | 97,18 |
| 7. | Shareholders - the number of legal entities. | 13 | 13 | 13 | 12 | 12 |
| 8. | Shareholders - the number of individuals. | 0 | 0 | 0 | 0 | 0 |
| 9. | Shareholders - the share of legal entities in the authorized capital, %. | 100 | 100 | 100 | 100 | 100 |

the Republic of Uzbekistan. The Bank is a Dealer at the Currency Exchange of the Republic of Uzbekistan and provides brokerage services to investors (residents-legal entities) in the government securities market and in the market of state medium-term treasury bonds. Figure 5 shows an analysis of the main financial indicators of Asaka Bank, which shows the capital dynamics of the bank for 2014-2019, including the growth of authorized capital and changes in net profit over the years.

Table 2 shows the annual growth of the authorized capital of Asaka Bank, which as of December 31, 2019 amounted to 5,683.02 billion soums. soums, while the state share in the charter capital of the bank increased from 67,08% in 2015 to 97,18% by 2019 [27].

As of January 1, 2016, the total capital of the bank amounted to 915.7 billion soums. As of January 1, 2020, this figure amounted to 5212 billion soums. increased by 6127.8 billion soums. soums. The net profit for 2015-2019 amounted to 81.4 billion soums. 166.6 billion soums more soums. In recent years, a significant part of the

Table 3: The volume of investments made by Asaka Bank in government securities

| № | Issuename | Preciouspaper type | Transaction amount (billion soms) | Date of transaction | Payment term | Interest rate type | Interest rate | Periodicity of interest payments |
|-------|---|-----------------------|--|------------------------|--------------|-----------------------|------------------|--|
| 1 | Ministry of Finance of the Republic of Uzbekistan | Government bond | 1,0 | 19.02.2019 | 19.02.2020 | Strict | 15% | 91 days |
| 2 | Ministry of Finance of the Republic of Uzbekistan | Government bond | 12,38 | 09.04.2019 | 24.12.2021 | Strict | 16% | 91 days |
| 3 | Ministry of Finance of the Republic of Uzbekistan | Government bond | 10,0 | 08.05.2019 | 07.05.2020 | Strict | 15% | 91 days |
| 4 | Ministry of Finance of the Republic of Uzbekistan | Government bond | 100,0 | 15.05.2019 | 14.05.2020 | Strict | 15% | 91 days |
| 5 | Ministry of Finance of the Republic of Uzbekistan | Government bond | 20,0 | 24.07.2019 | 18.11.2020 | Strict | 15% | 91 days |
| 6 | Ministry of Finance of the Republic of Uzbekistan | Government bond | 10,0 | 13.09.2019 | 07.05.2020 | Strict | 15% | 91 days |
| 7 | Ministry of Finance of the Republic of Uzbekistan | Government bond | 53,92 | 09.10.2019 | 01.07.2022 | Strict | 15% | 91 days |
| 8 | JSC "Uzavtosanoat" | Corporate bond | 33,69 | 29.08.2017 | 28.05.2022 | Strict | 9% | Every quarter |
| 9 | JSC "Uzavtosanoat" | Corporate bond | 16,31 | 27.12.2017 | 28.05.2022 | Strict | 9% | Every quarter |
| Total | | | 257,30 | | | | | |

investment portfolio structure has been for securities traded. The analysis shows that the return on the investment portfolio was 5.8% at the end of 2015 and 10.86% at the end of 2019.

At present, one of the main problems in our country is the reduction of the state share in the authorized capital of banks. Due to the additional issue of shares of the bank and the division of shares, the nominal value of one share of Asaka Bank in 2016 decreased from 1112.08 soms to 139.01 soms. In order to diversify its investment portfolio and generate additional income, the bank will invest 207.3 billion soms at 15% per annum. UZS were purchased by the government (Table 3) [28]. It should be noted that the national banking system underutilizes the potential of securities to expand investment support for the modernization of enterprises in the real sector of the economy. As a result, the bulk of investment resources for these purposes is formed by enterprises' own net profits, foreign direct investment and long-term bank loans. The Resolution of the President of the Republic of Uzbekistan No. PP-670 of July 12, 2007 "On measures to further increase the level of capitalization of banks and strengthen their participation in investment processes to modernize the economy" gave a strong impetus to the growth of bank activity in the country. Based on this decision, commercial banks of

Uzbekistan were required to place at least 25% of the newly issued shares through the Republican Stock Exchange "Tashkent" [29].

The presence of these conditions reduces the opportunities for investment activities of banks, which can be focused on the needs of innovative development of the real sector of the economy of Uzbekistan. In this regard, banking and joint-stock regulators need to do more to increase and expand the use of their own funds and debt financing instruments through securities financing programs for banking institutions for their innovative development.

We analyze the financial results of JSC "Capital Insurance", selected as the next object of the dissertation, and the trends of attraction of financial resources from the capital market over the years. Kapital Sugurta JSC is one of the joint-stock companies established in the first years of independence of our country. The company started its activity in 1991 and in 2014 was renamed into JSC "Capital Insurance". In 2015, the Ministry of Finance of the Republic of Uzbekistan issued a license to engage in insurance activities. To date, it operates under 14 types of general insurance in accordance with the issued license. According to the results of 2019, the authorized capital of JSC "Capital Insurance" will reach 15 billion. UZS, of which 21 legal entities account for 75,47% of the total authorized

Table 4: Analysis of the capital structure and its impact on financial results in Kapital Sugurta JSC (million soums)

| № | Indicators | 2015 y. | 2016 y. | 2017 y. | 2018 y. | 2019 y. |
|----|--|---------|---------|---------|---------|----------|
| 1. | Passive total | 53650,9 | 52312,7 | 58228,7 | 86415,1 | 109661,4 |
| 2. | Private capital | 15546,8 | 14908,5 | 19210,6 | 28418,8 | 29954,2 |
| 3. | Insurance reserves | 28076,4 | 32614,9 | 33411,1 | 51760,3 | 64068,6 |
| 4. | Debt capital | 10027,8 | 4789,4 | 5606,9 | 6235,9 | 15638,7 |
| 5. | Net profit (+) or loss (-) | -5926,9 | -1878,9 | 4411,5 | 2087,2 | 472,2 |
| 6. | Financial Dependency Coefficient (D / E) | 0,65 | 0,32 | 0,29 | 0,22 | 0,27 |
| 7. | ROA | - | - | 0,08 | 0,02 | 0,004 |
| 8. | ROE | - | - | 0,23 | 0,07 | 0,01 |

Table 5: Analysis of key financial indicators of Kapital Sugurta JSC (million soums)

| № | Indicators | 2015 year | 2016 year | 2017 year | 2018 year | 2019 year |
|---|--|-----------|-----------|-----------|-----------|-----------|
| 1 | Net income from insurance services (million sum) | 9813,9 | 19131,6 | 25816,5 | 36789,3 | 66519,3 |
| 2 | Gross profit (loss) from the provision of insurance services | -2435,1 | 4868,4 | 6109,3 | 13621,8 | 66519,3 |
| 3 | Main activity profit (loss) | -5926,9 | -1878,9 | -61,1 | 117,4 | 5869,4 |
| 4 | Profit (loss) of general economic activity | 977,4 | -795,9 | - | 2351,5 | 472,1 |
| 5 | Profit before tax | 977,4 | -795,9 | 4499,2 | 2351,5 | 472,1 |
| 6 | Net profit | 977,4 | -795,9 | 4411,4 | 2087,1 | 472,1 |

capital and 92 individuals account for 24,53% of the total authorized capital [30].

In the conditions of high financial dependence of the joint-stock company "Capital Insurance", ie in 2015 it was 0,65 and in 2016 it was 0,32 the annual financial result of the company ended in a loss (Table 4). Of course, this factor is influenced by other factors related to the company's activities, but the high share of debt capital in the existing capital and the burden of financial costs in the context of the high value of this debt capital confirms the net financial result of the activity.

However, during 2017-2019, the company's financial dependence ratio has been declining, as well as its annual net profit. At the end of 2019, the net profit of Kapital Sugurta JSC amounted to 472.2 million soums, a decrease of almost 5-10 times compared to 2017-2018. soums.

In 2017-2018, the financial dependence ratio fell to 0,29 and 0,22, respectively. This is due to a sharp increase in the nominal amount of private capital, which in 2015 amounted to 15546,8 million. 28418 million soums by 2018 we can see that the sum has increased. The main factor influencing the sharp decline in the return on equity by 2018 (from 0,29 in 2017 to 0,07 in 2018) is the decrease in the nominal amount of net profit in the context of high financial costs, ie by 2018 to 2087.2 mln. soums.

The company's net income from insurance services amounted to 9813.9 mln. By 2019, this figure will increase by almost 7 times to 66.519.3 million soums. soums (Table 5) [32].

However, by 2016, it can be seen that the amount of indemnities paid by the enterprise for insurance events ended in a loss as a result

of a sharp increase in insurance premiums. In 2017, the company ended its operations with a profit, in contrast to 2016, and the amount of profit before taxes amounted to 4499.2 mln. The gross profit from the provision of insurance services amounted to 6109.3 million soums. soums. However, it is difficult to positively assess the financial performance of the company in 2018-2019, because if the amount of income from operating activities increased, it can be recognized that the amount of soybean profits decreased by almost 2-4 times during the analyzed period.

In 2017, the reserve of uncollected premiums amounted to 18885.4 mln. This figure amounted to 15,839.3 million soums a year. 34724.8 million soums. soums

The figure shows that in 2018, the total insurance reserves amounted to 52449.1 million. In 2017, this figure was 34,176.6 million soums. soums. In addition, the reserve of preventive measures for the period of one year amounted to 596.7 mln. in 2018, an increase of 4335.5 million soums. soums. It should be noted that the mismatch of assets has a tendency to decrease the volume of reserves, which in 2017 amounted to 8546.8 mln. In 2018, it will amount to 8277.1 million soums. soums.

In our opinion, the use of international methodologies is important in determining the effectiveness of the use of financial resources attracted by joint stock companies. In determining such performance indicators, the assessment of the effectiveness of the financial instrument used by joint stock companies is closely linked to the reduction of costs, taking into account the factor of "debt service costs".

The financial leverage efficiency assessment model is one of the main methods of forecasting and evaluating the efficiency of a company's borrowing. At the same time, these costs should be taken into account when assessing the effectiveness of financial leverage, given the additional transaction and management costs involved in attracting financial resources in the capital market. In addition, given that these costs are conditional-permanent, it is important for small and medium-sized businesses to slightly modify this valuation model from a mathematical point of view. According to the methodology proposed by international rating companies, the formula for determining the financial risk for small and medium-sized businesses can be expressed as follows [32]:

$$DFL = (1 - t) * (ROA - (r + bc)) * (D/E) \quad (1)$$

here: t – income tax rate; ROA – return on assets, in%; r – interest rate on debt capital, in%; bc – debt service costs, in%; D – debt capital; E – private capital.

One of the main problems in this calculation practice is to determine the amount of debt service. Because this information is the internal accounting data of commercial banks, this information is not always published in public. We believe that by introducing these indicators into the practice of joint-stock companies in our country, it is possible to improve the mechanism for assessing the effectiveness of investment costs.

4 CONCLUSION

Today, the high investment activity associated with the construction, expansion and modernization of production capacity in all sectors of the economy of Uzbekistan, the launch of new types of products and increase exports further increases the need for financial resources for enterprises and organizations. This will increase the demand for loans from commercial banks. With this in mind, the bulk of the proceeds from the placement of sovereign bonds were placed as deposits with commercial banks. This, in turn, prevents the burden on the budget from making payments on bonds.

The government's goal in issuing sovereign international bonds on the international market is not only to provide the economy with investment funds, but also to place sovereign international bonds in international financial markets. It was concluded that banks will be able to place their bonds in the global financial markets and on this basis to create a basis for independent financing of investment projects.

The fact that the average market value of capital attracted to the corporate sector is higher than the average economic return in this sector leads to a loss of the effect of financial support. In addition, high interest rates lead to the negative impact of the use of debt capital on the efficiency of financial results of business entities and a decrease in interest in the use of these financial resources.

The total amount allocated by ADB is 7516 mln. Of this amount, 99% was allocated in the form of loans and only 1.3% in the form of grants and technical assistance. In turn, it should be noted that among the countries of the Asian region, Tajikistan has attracted more than 70% in the form of grants and technical assistance, while Kyrgyzstan has a high share in the form of grants and technical assistance. However, the analysis shows that about 99% of the ADB loans from Uzbekistan and Kazakhstan are loans.

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