Topical issues of increasing the role of economic ratings and indices in economic stability

Nargiza Jiyanova*1, Rano Tashmatova1, Afsona Kuilieva Shakhrukh kizi2, Sukhrob Allayarov1, and Marina Abdurashidova3

1 Tashkent Institute of Finance, 100000 Tashkent, Uzbekistan
2 Republican Stock Exchange "Toshkent", 100170 Tashkent, Uzbekistan
3 Tashkent State University of Economics, 100003 Tashkent, Uzbekistan

Abstract. The article explores the role, essence and significance of international ratings and indices, assesses the current situation of the Republic of Uzbekistan in the context of economic reforms, and also explores the main directions for improving the position of the Republic of Uzbekistan in international ratings and indices as a factor in stabilizing and developing the economy and introducing foreign experience in accordance with changing modern conditions. This article discusses ways and methods to improve the position of the Republic of Uzbekistan in the index of economic freedom (IEF). The reforms and results of the measures taken in terms of previous years are presented.

1 Introduction

Phenomena for which ratings are compiled today relate to a wide variety of areas of activity - economics, finance, politics, cultural life, sports, etc. In this study, we will consider ratings in economics and finance.

Ratings are often published in specialized and socio-political publications, and on the official websites of researchers. The popularity of such ratings is explained by the fact that the media audience wants to know the priorities that currently exist in an area that is important to them. Voters, for example, need to know which politician is leading and which is the outsider of political life. Depositors need information about which banks are the most reliable and which can fail. There are many examples of the use of ratings in everyday life. The most consistent with the concept of ratings used in the economy.

2 Literature review

The conceptual foundations and practical issues of the role of international ratings and indices for reforms are reflected in the scientific works of such economists as K. Brooks, D. Rodrik, T. Miller, A. Kim, J. M. Roberts, Levin A., Lina S. F. and Chu Ling J.

Of the scientists from the near abroad, this topic was investigated by Khovina E.S., Surma I.V., Karminsky A.M., Peresetsky A.A., Petrova E.A.. Of domestic scientists, the role of

*Corresponding author: nargiza_omad@mail.ru

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international ratings and indices for reforms in the economy was directly or indirectly studied by Khaydarov U.A., Abdurakhmonov A.N., Norov A.R., N.Kh. Zhumahoev, Aktamov Sh. R., Alieva D.R., Jiyanova N.E., Bazarbaev A., Urokov S, Sh.A. Toshmatov, S.K. Khudoykulov, B.E. Toshmurodova, D.Kh. Pulatov, A.S. Usmanov, A.V. Vakhobov, Kh.N. Zhamolov, Z. Sirojiddinova, N.G. Karimov, H.A. Kurbanov, A.Kh. Islamkulov and others. Meanwhile, the studies conducted by the above scientists were mainly devoted to theoretical, methodological issues of using international ratings and indices in the country's reforms, they considered only some categories of issues related to international ratings and indices. But real issues from practice within a particular state and the factors of their positive solution were not considered in their works.

3 Research methodology

The research methodology is based on general scientific methods: analysis and synthesis, systemic, logical and comparative analysis, sample surveys. Reference, statistical and regulatory materials on the problem under study were used.

4 Analysis and results

Rating implies the assignment of an economic entity to a class or category. Subjects with the same rating are not necessarily ranked according to any criterion. It's just that their position is the same. Rating is a comprehensive assessment of the state of the subject, which uses a combination of many indicators that are not always formalized.

The English term “rating” in dictionaries is usually translated as “rating”, “pointer”, “index”, “indicator”, “value”, “rating”, “position”, and sometimes simply as rating.

Rating is a concept with a much deeper economic meaning than credit rating, financial rating, ranking and index. The main factor guaranteeing the objectivity of the rating is the market reputation of the agency itself and the level of trust in it, which potentially encourages agencies to be objective. Rating agencies are taking measures to increase the level of trust in them: the customer’s legal relationship with the rating agency and interaction with its analysts are organizationally separated, financial relations are unified and do not depend on the rating results. Domestic and foreign investors (for example, pension and investment funds) are recognized as consumers of country and regional ratings. For them, assessments of investment attractiveness, financial and credit ratings of the country and individual projects, assessment of credit risks of state and regional debt obligations are important. Legal entities need credit ratings of enterprises, securities. Regions and enterprises need rating assessments of credit risks of state and regional debt obligations, stability of banks and other financial institutions, credit ratings of enterprises, ratings of securities and investment projects, individual goods and services.

Table 1. Classification of ratings by groups of potential consumers

<table>
<thead>
<tr>
<th>Consumer groups of the rating product</th>
<th>Business entities</th>
<th>Rating product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign institutional investors (pension funds, investment funds, etc.)</td>
<td>Countries, individual regions, enterprises and organizations of investment grade</td>
<td>• Assessment of credit risks of individual issues of government and regional debt obligations</td>
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<tr>
<td></td>
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<td>• Credit ratings structured by terms and types of borrowings</td>
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<td>• Various rankings and ratings of issued</td>
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</tbody>
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Table 1. Classification of ratings by groups of potential consumers
- Assessment of credit risks of individual issues
- Ratings of reliability and financial stability of banks and other financial institutions
- Credit ratings of enterprises
- Various rankings and ratings of issued securities
- Ratings of individual investment projects
- Ratings of educational institutions, healthcare organizations, consumer service enterprises, shops, etc.
- Ratings of individual goods, products, services.

A modern person no longer carries money to the first bank that comes across. He studies his reliability rating. A modern student first evaluates universities by their rating and only then submits documents to one of them. The rating becomes a forecast of the success of investments, the basis for which is information transparency, enhanced by ratings. When solving a number of tasks, it is proposed to use rating models more widely.

We advise individuals to be interested in the valuation of securities of enterprises, the assessment of the reliability of banks, insurance organizations, other financial institutions, the ratings of educational institutions, healthcare organizations, etc.

Household deposits, for example, are considered an important investment resource for a bank. And it is the transparency of the banking sector that strengthens the authority of banks and promotes the growth of domestic investment. Naturally, the types and purpose of ratings largely depend on economic entities and potential users.

The Heritage Foundation annually publishes data on the level of economic freedom in various countries of the world. Currently, the Index of Economic Freedom (hereinafter referred to as IES) is one of the most important tools for analyzing the economic policy of the state. The 2020 IES report published by the Heritage Foundation notes that there is a positive correlation between the IES and living standards, i.e. the higher the degree of economic freedom, the higher the GDP per capita.

The IES has 12 components and is an index produced annually in 180 countries, measured on a scale from 0 to 100. A value of 100 corresponds to complete economic freedom.

Uzbekistan ranked 109th out of 184 in the 2023 Index of Economic Freedom, improving its position by 8 positions. The index has been compiled by the Heritage Foundation in cooperation with The Wall Street Journal since 1995. In 2022, the country was at 117th place in the ranking, in 2021 - at 108th, in 2020 - at 114th.

Table 2. Indicators of Uzbekistan in 2021 IES [12]

<table>
<thead>
<tr>
<th>Indicator name</th>
<th>Previous result (IEF-2020)</th>
<th>Previous result (IEF-2021)</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index of economic freedom, score</td>
<td>57.2</td>
<td>58.3</td>
<td>+1.1</td>
</tr>
<tr>
<td>Right to property</td>
<td>59.1</td>
<td>57.8</td>
<td>-1.3</td>
</tr>
</tbody>
</table>
As a result of the ongoing reforms in the country, according to the latest report, Uzbekistan recorded positive changes in 7 out of 12 indicators, while there was a decrease in 3 indicators and no changes in 2 of them. Uzbekistan ranks 21st out of 40 countries in the Asia-Pacific region.

The top three international rankings include Singapore (89.7 points), New Zealand (83.9 points) and Australia (82.4 points) of the ranking, and Cuba (28.1 points), Venezuela (24.7 points) and North Korea (5.2 points) close the ranking.

Uzbekistan has expanded the rights of minority shareholders and their role in making important corporate decisions. Ownership and control structures have been refined, corporate transparency has been increased. The value added per worker has increased.

Uzbekistan has four preferred trade agreements. The simple average tariff rate is 14.8 percent, and levels of non-tariff barriers make trade even more difficult. Uzbekistan is not a member of the World Trade Organization. Measures were taken to improve the investment environment, including simplifying the privatization process and loosening foreign exchange controls. The high cost of financing reduces the dynamics of development.

Fig. 1. Dynamics of total scores of Uzbekistan for 2017-2021 in the index of economic freedom [11]
In the report for 2021, Republic of Uzbekistan received 58.3 points, thus, the world average scores are inferior to 3.3 points and the Asia-Pacific region 1.9 points (average score for the world - 61.6, regional average score - 60.2), thereby achieving the established key performance indicators (KPI) in accordance with the Decree of the President of the Republic of Uzbekistan No. PF-6003 “On improving the position of the Republic of Uzbekistan in international ratings and indices, as well as introducing a new mechanism for systematic work with them in government bodies and organizations”.

Currently, international organizations and rating agencies maintain more than 100 international ratings and indices that evaluate countries and companies in economic, social, political, legal and other areas. At the same time, it should be noted that ratings and indices represent a unified system for assessing the stability of the economy as a whole or its individual aspects. According to experts, the practical significance of rating agencies lies in the fact that they help investors, creditors and business partners make informed decisions about cooperation with a particular country, region or company with an acceptable level of reliability. In this context, it is worth noting some important factors. A distinctive feature of international ratings and indices is that they reflect both positive and negative changes in a particular country. They form and stimulate the spirit of competition between countries for better performance. An important role in this is played by international rating agencies acting as newsmakers in the global information space. Their scores and indices provide new information about a particular situation. On the other hand, participation in international ratings and indices is a kind of involvement in international integration processes. Rating agencies, in addition to compiling current ratings, also set forecasts for them, which become important reference points for the medium term for individual companies, regions and states. Changes that are recorded annually in the world rankings give “feedback”. They show what results the ongoing efforts to increase the competitiveness of a particular industry bring.

5 Conclusions and suggestions

It should be noted that the high positions of the country in international rankings are not only numbers, but in general indicators of the quality of work that directly characterize the international image of the country. In this regard, it is important:

a) systematic study of the best practices of foreign countries to improve positions in international rankings;

b) conducting fundamental and applied research, including public opinion polls in the relevant areas of ratings. The new reform, being primarily a legal basis in this process, will allow us to systematically analyze the effectiveness and efficiency of reforms and give a certain assessment from the outside. In this process, international ratings are an objective barometer of changes, as well as an indicator of the level of international integration of the national economy.

In general, in striving to improve Uzbekistan’s IES, it is important to learn from the example of neighboring countries with good performance, paying even more attention to those areas in which they have not been able to achieve improvement. Experience shows that the growth of the IES is gradual, so we can observe the results of the current reforms in the long term.

1. In the direction of improving this indicator, the state should solve the problem of optimal distribution of public resources, paying more attention to the cardinal improvement of Uzbekistan’s position in terms of the composite indicators “Freedom of investment” and “Financial freedom”, i.e. by removing or easing restrictions on the movement of capital. Such conditions, if created, can significantly increase the inflow of foreign direct investment into our country.
2. It is important to implement systemic measures to liberalize the capital market, privatize state-owned banks, sell a significant state stake in banks with own capital to private and foreign investors, and accelerate the development of equity and bond markets.

3. The next strategically important direction for improving the IES in Uzbekistan is to fully ensure the independence of the judiciary, transparency and fairness of judicial processes, non-interference of executive bodies in these processes, as well as strengthening institutions for the protection of private property. In this regard, I propose to continue the administrative reform to ensure a balance between the legislative, executive and judicial powers, based on the experience of a number of highly developed countries.

4. It is extremely important to improve the position of our country in terms of the "Freedom from Corruption" indicator, the value of which should be doubled through the implementation of such measures as the adoption of the Law "On Public Service", introduction of uniform principles for recruitment, selection, remuneration and motivation of labor, promotion of personnel to state bodies, increasing the adequacy of personnel of state bodies, administrative reforms aimed at increasing the productivity of civil servants, the effectiveness of their management decisions, accountability of the state bodies to the public, which are designed to ensure the cleanliness of the activities of state bodies.

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