



THE CURRENT STATE OF NON-RESIDENT PENSION FUNDS IN UZBEKISTAN AND THE POSSIBILITIES OF USING FOREIGN PRACTICE IN ITS REFORMATION.

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ABSTRACT: *The article examines the features and importance of the development of the pension system of Uzbekistan. At the same time, the results of the research investigated the need for the establishment of non-resident pension funds in Uzbekistan and developed proposals and recommendations on development.*

KEYWORDS: *non-resident pension funds, corporate fund, individual fund, stock, bonds, investment.*

At present, non-state pension funds represent a specific organizational legal form of a social security non-profit organization. The founders of non-governmental pension funds can be individuals and legal entities. Often, non-government pension funds are set up by large enterprises interested in providing additional pensions to their employees, who can finance these costs and want to oversee the activities of an organization that entrusts long-term pension resources. Non-governmental pension funds, which are non-profit organizations, do not have the right to distribute the profits among their founders.

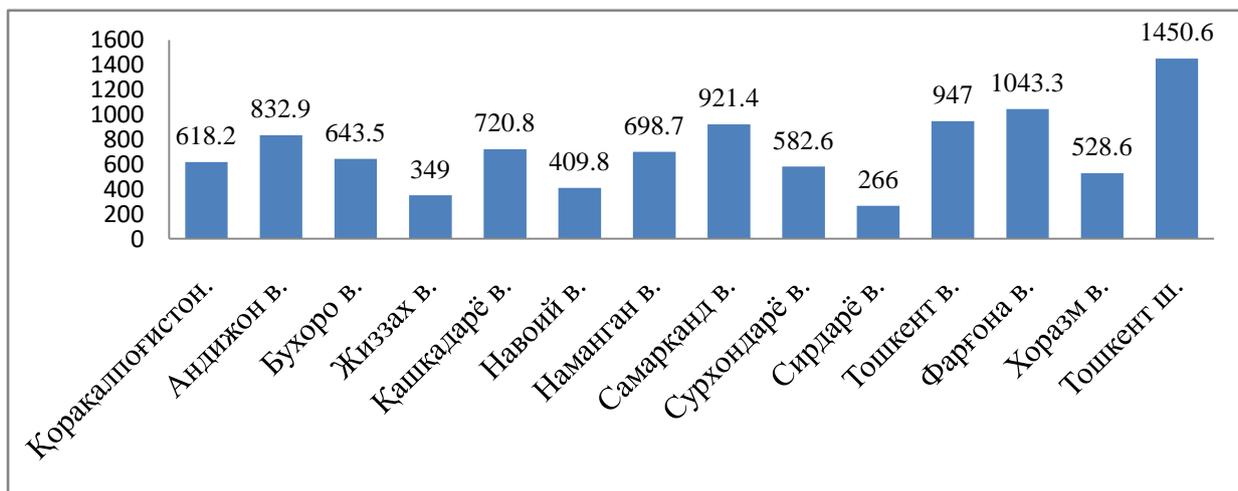
Uzbekistan has conditions for the establishment of non-governmental pension funds. Because it is time to use this system in our country, using the experience of non-governmental pension funds of developing countries, where our modern advanced economy is developing. One of the first steps towards the appointment and future use of individual pensions is the "Citizens' Accumulative Pensions", which came into force on January 1, 2005.¹The law on With the development of this law, the personal pension account of citizens was formed. Compulsory registration of citizens participating in the funded pension system will be carried out in accordance with the application of the employer in the branch of the People's Bank at the place of work of these citizens. The People's Bank shall accrue interest on funds in personal savings accounts at high rates in

¹Law of the Republic of Uzbekistan "On funded pensions". 2004. December 2.



relation to the devaluation of money in the manner prescribed by law. The interest rate is set by the People's Bank in coordination with the Ministry of Finance of the Republic of Uzbekistan and the Central Bank of the Republic of Uzbekistan, taking into account the income from the placement of funds in the accumulative pension system.

Number of Accumulative pension provision of citizens accounts opened in the regions in 2005-2018 (thousand)² picture

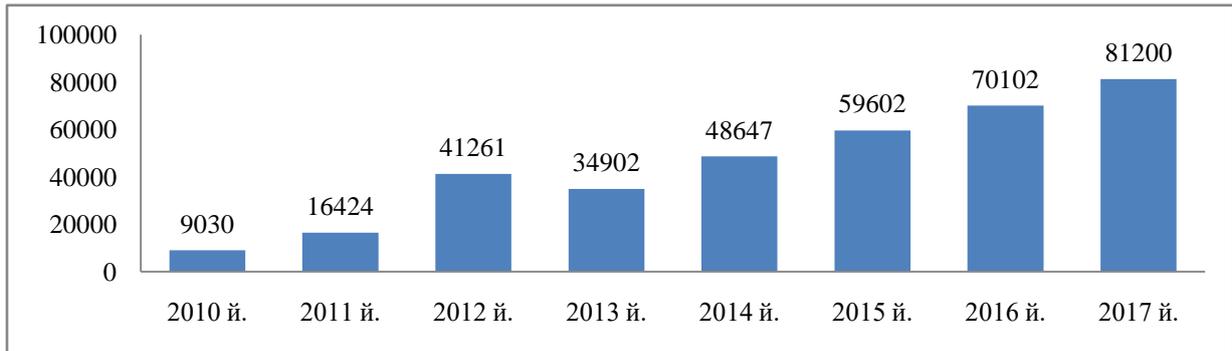


In order to increase the funds of the accumulative pension system and protect them from devaluation, such funds can be used as investment and credit resources, as well as for placement in financial instruments.

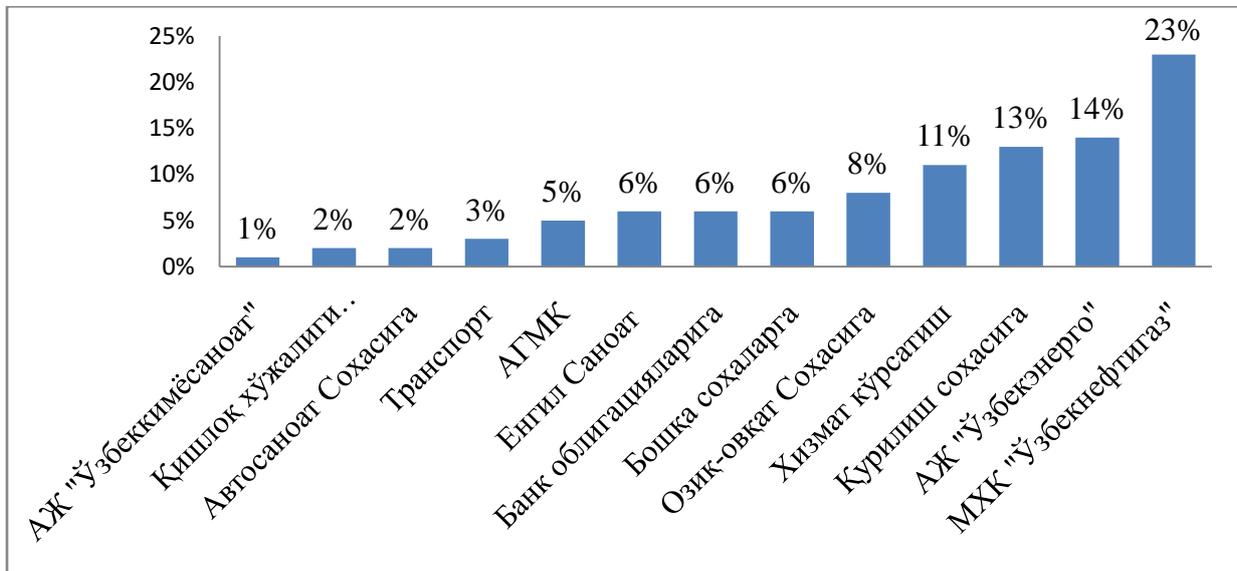
Amount of funds paid to the participants of the accumulative pension system (million soums) 2017³.-picture

²Rajabov Sh. U. Author's abstract of the dissertation of Doctor of Philosophy (Rhd) in Economics on "Formation of non-governmental pension funds and increasing investment activity." Tashkent - 2018. 24 p.

³Rajabov Sh. U. Author's abstract of the dissertation of Doctor of Philosophy (Rhd) in Economics on "Formation of non-governmental pension funds and increasing investment activity." Tashkent - 2018. 24 p.



Placement of pension funds to be accumulated in 2017 in key sectors of the economy⁴.13- picture



However, programs to invest and use the funds accumulated by the People's Bank as a credit resource have not yet been fully developed. As a result, the People's Bank is indexed only by accumulating funds taking into account the annual inflation rate. In this regard, there is a significant difference between the existing non-governmental pension funds in developing countries and the policy of the People's Bank of Uzbekistan. In our opinion, at the stage of formation and development of non-governmental pension funds, first of all, the necessary conditions must be created.

⁴Rajabov Sh. U. Author's abstract of the dissertation of Doctor of Philosophy (Rhd) in Economics on "Formation of non-governmental pension funds and increasing investment activity." Tashkent - 2018. 24 p.



It will be necessary to establish management companies servicing non-state pension funds, an insurance company that provides risk to the fund, and private investment organizations integrated into the fund. The next step is to develop a legal framework to increase the insurance premiums for work and apply a fair policy, taking into account the financial situation of the population. The reason is that if the government imposes excessive surcharges on the development of a non-state pension system, it will provoke resentment between employers and employees. The key is to be able to convey this new system to the public in the right way and to what extent it will be effective in the future. On August 25, 2015, the Law "On Investment and Share Funds" was adopted. The purpose of this law is to regulate relations in the field of investment and mutual funds.⁵The development of this law may lead to the formation of non-governmental pension funds in the future and its provision of basic services for the provision of pensions in our country. In this case, the share fund is the sum of funds transferred by two or more persons to the trust management by investors themselves for the implementation of investment activities. A trustee is a legal entity that carries out trust management of investment funds and (or) mutual funds on the basis of a trust management agreement under this Law. As we know, non-governmental pension funds also include trust management companies and the bank's custodian non-governmental pension fund, for example, in Kazakhstan. Of course, when establishing a non-state form of pension, investment funds, mutual funds, management companies, hedge funds, futures funds, commercial banks, and similar financial institutions must first be improved. Not only the state but also the financial institutions listed above should be directly involved in the operation of the non-governmental pension fund, income generation, investment, and development of various programs.

World experience shows that the most interesting institutions in lending to the population are credit and financial institutions. These are non-governmental pension funds, loan and savings associations, and credit unions. Some private credit institutions are engaged in financing a certain area of economic activity or a certain segment of the population. That is, it raises funds, issues securities, sells insurance policies, and operates in similar ways. Non-state pension funds are an important modern phenomenon in the market of loan

⁵Law of the Republic of Uzbekistan "On investment and mutual funds" August 25, 2015



investments, in the securities market, and in the credit and financial system. The essence of the opportunities of non-state pension funds is to collect, save, and increase the funds of depositors, to ensure pension payments. The fund's assets are based on securities transactions.

Foreign experience shows that the assets of the accumulative Pension Funds are based on securities transactions. Non-government pension funds invest money in the long term, buying private and public securities. The basis of the passive operations of the non-governmental pension fund is the resources from corporations and enterprises, 20-30% of the income consists of workers 'and employees' contributions..

The pension privatization program provides domestic opportunities for investment in the economy. It is precisely the need for pension reform in the financial sector that intersects the expanded field of economic reform. The development of the capital market is crucial to provide financial support for the investment of pension funds, which are worthless. Thus, in the process of directing investments into the economy, it would be expedient to finance public, savings, and private pensions.

Observations of the study show that in many developed countries, private pension funds are formed mainly under the auspices of large banks or large joint-stock companies. Let's look at the pros and cons of this.

On the plus side, private pension funds, set up by major banks and large corporations, do not face financial or economic hurdles and challenges. It comes in handy as an additional help for these organizations in transferring insurance premiums to employees under a well-known brand. He has sufficient skills to invest, distribute, invest in long-term assets and earn a decent income from them.

On the downside, there are dramatic changes in the current global market economy. As the value of the commodity market has been declining day by day, there has been an imbalance in the stock market as well. After that, of course, first of all, large corporations, commercial banks, insurance companies, and credit unions will suffer enough. That is why in the global crisis of 2008-2009, first of all, the giant companies operating in developing countries went bankrupt. During the same period, non-state pension funds, participants in insurance payments, and the fund's assets and capital suffered huge losses.



Many factors of external (macroeconomic factors) and internal (infrastructure factors) influence the implementation of the main directions of the establishment of non-state pension funds.

External factors describe the general state of the economy: inflation, unemployment, average per capita income, the stability of the national currency, the state of the state budget and balance of payments, the refinancing rate, and the level of taxation. External factors can also include general characteristics such as quality of life and financial literacy of the population.

Internal factors affect the potential of the market of non-state pension funds and reflect the level and direction of development of market infrastructure, and the system of relations between market participants in the implementation of activities.

Important factors for non-state pension provision and life insurance are the economic situation in the country and the associated tradition of income growth, as well as increasing confidence in financial institutions. The future of the corporate sector will depend on the situation in the field of tax policy, which means that for the markets, the attitude of public authorities towards non-state pension provision and life insurance is also important.

As a result, the population's awareness of non-state pension savings markets and long-term life insurance is formed at a high level. Businesses and citizens will be interested in forming their own pension funds, which will undoubtedly have a positive impact on the pension fund and the country's financial situation, as the implementation of this plan will increase life insurance premiums and significantly reduce the additional burden on working population and economy. As this system develops, the demographic "additional burden" will not be felt so drastically that the contributions paid to form the pension will not be used to pay the current pensions. In this way, the goal of reform is achieved.

We have the opportunity to use a private form of pension provision, the corporate pension model. This model is popular among developing countries and is an interdependent mechanism formed between an NPJ, a commercial bank, and an enterprise. The task of social protection of future retirees would be similar not only to the state fund but also to the development of "pension plans" that are alternatively compatible and supportive of our current reforms.



In the context of modernization of the economy, the lack of a non-state pension system in the country, the differences in the assessment of the participation of citizens in the pension fund in terms of income, the existence of significant differences between employers and employees, the number of contributions to the pension fund. indicates the presence of Based on the above, the need for a comprehensive reform of the pension system indicates the need to develop a medium-term strategic concept for the development of the pension system of the country.

Peculiarities of establishment of non-governmental pension funds in Uzbekistan:

- ✚ Non-governmental pension funds increase the gross national savings and affect the growth of investments;
- ✚ Non-state pension funds allow to develop the amount of pensions depending on the salary of the employee and the efficiency of pension funds;
- ✚ In this case, participants voluntarily pay pension contributions and have the opportunity to change the amount of idol funds during the year;
- ✚ In this system, participants have the opportunity to track their savings;
- ✚ This system is constantly monitored by the state under the law;
- ✚ Participants of non-governmental pension funds will have the opportunity to get acquainted with the pension plans of the funds;
- ✚ The longer the participants participate in this system, the higher the pension amount during the retirement period.

Many countries now retire at the age of 65. In Europe and the United States, it is planned to set this limit at 70 years in the coming years. As early as 2005, the European Commission issued a recommendation on the need for EU countries to gradually increase



the retirement age. By 2060, the economically optimal option would be around 70 years old⁶.

Given the growing share of retirees in the population of Uzbekistan in 2022-2050, the retirement age will be the leading consumer of health, social and medical services, which will be an important factor in increasing the share of services in GDP and sustainable economic growth of the national economy. serves. Therefore, raising the retirement age and creating additional resources in the pension system is an important factor for the economy and for ensuring the well-being of citizens after retirement..

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⁶From a report by Moody's.



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