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Ways to Eliminate Problems That Obstacle The Development of Insurance Services in Our Country

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Abstract: The insurance system plays a vital role in ensuring economic stability, mitigating financial risks, and promoting sustainable growth by providing protection for individuals, businesses, and institutions. In Uzbekistan, the insurance market has shown gradual growth in recent years due to economic reforms and the liberalization of financial services. Despite this positive momentum with respect to premiums, payments and the number of companies, the sector's contribution to GDP is low by global standards, indicating a significant undersaturation. While most previous studies recognize the need for a strong insurance sector, they have neglected the systemic barriers that hinder its creation legal inconsistencies, low public trust, low levels of digitalization, and weak professional training. The purpose of this study is to highlight the main factors that limit the insurance market in Uzbekistan and to determine scientifically based recommendations for their elimination. Analysis showed that low national insurance culture among the population (impact 4.7 points), legislative contradictions (4.3 points), low financial stability of companies (impact 4.1 points) and slow technological integration (3.6 points) are the main obstacles. Only 37 per cent of citizens, according to survey data, use insurance, and 30 per cent have low trust in it. It offers a complete solution of educated public finances, legal harmonization, capital strengthening and digital innovations (online insurance and blockchain transparency). Accordingly, these findings prove that sorting out structural and institutional obstacles will increase public trust, measures of service quality, and to turn the insurance sector into a stimulus for financial stability and social protection along the process of economic modernization of Uzbekistan.

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1. Introduction

In the modern global economy, the insurance system serves as one of the key instruments for ensuring financial stability, mitigating risks, and promoting sustainable development. It plays a vital role in protecting individuals, businesses, and governments against unexpected losses while contributing to capital formation and economic resilience. In Uzbekistan, the insurance market has undergone gradual growth over the past decade, supported by economic reforms and the liberalization of financial services. These are improvements over the past two decades, but despite these gains, insurance as a share of GDP in the country remains relatively low on an international scale, suggesting available capacity, and underlying structural impediments remain. In this regard, the government continues its efforts to improve the climate for investment, digitalize financial institutions and strengthen the framework of law creating favorable conditions for further expansion of the sector. However, there are still many hurdles for the development, low public

awareness and trust for the insurance industry, fragmentation and inconsistency in legislation, insufficient financial capacity of the local insurance companies, and a lack of adequate professional competence in the industry. Besides, the dilatory pace of digital adoption limits access and efficiency in service delivery. Solving these issues requires a comprehensive and system-oriented method based on principles and practices from abroad emphasizing innovation, openness and public involvement. Taking into account the above, the novelty of this study is the definition of the main barriers of insurance market development in Uzbekistan and the development and scientifically based recommendations for their elimination. By analyzing statistical data, survey findings, and expert evaluations, this study aims to contribute practical recommendations for strengthening the insurance system as a key pillar of economic security, financial inclusion, and social protection [1].

Literature review

Extensive research has been conducted by foreign and domestic scientists on the issue of the development of insurance services. According to the famous economists D. Skipper, G. Dickinson and M. Browne on the development of the insurance market, the insurance system is one of the important financial institutions that ensure the economic stability of the country. They emphasize that the expansion of insurance services stimulates investment, reduces financial risks and strengthens the social protection of the population. J. Outreville in his research showed that the development of the insurance market is directly related to the level of income, the openness of the financial system and state policy. P. Drucker and M. Friedman also emphasize that the competitiveness and reliability of the insurance system are important factors for the effective functioning of market mechanisms [2].

Uzbek scientists A. Vakhobov, Sh. Sattorov, D. Karimov and B. Orinbayev studied the role of the insurance system in the national economy, its modernization and areas for improving management based on market principles. In their opinion, in order to develop the insurance services market, it is necessary to increase the population's confidence in insurance, introduce digital technologies, ensure the financial stability of insurance companies and further improve the legislative framework. Local researchers also indicate the improvement of insurance culture and human resource development as important factors [3].

In general, research by foreign and domestic scientists confirms that the development of insurance services is crucial for ensuring the country's economic security and social stability [4].

2. Materials and Methods

This study aims to identify factors that hinder the development of insurance services in our country and justify ways to eliminate them. The study used a systematic approach, analysis and synthesis, comparison, and statistical analysis methods. Initially, the current state of the insurance market was studied, and existing problems were analyzed from the point of view of economic, organizational-legal and social factors. Also, effective solutions were developed by comparing the national insurance system with foreign experience. The study used expert surveys and analytical data to develop practical recommendations. As a result, the main problems hindering the development of insurance services and scientifically based ways to eliminate them were identified [5].

3. Results and Discussion

Although the insurance market of Uzbekistan has been gradually developing in recent years, its share in the economy still remains low. The analysis shows that despite the annual increase in the volume of insurance services and the number of companies, the population's trust in and participation in insurance is not sufficient. Therefore, this section analyzes the current state of the insurance system in our country, its development

dynamics, existing problems and opportunities for their elimination based on economic and statistical data and survey results [6].

The following database was created to analyze the main indicators affecting the development of insurance services in our country and to substantiate the results. The database includes statistical indicators, survey results and analytical sources [7].

Table 1. **Data on economic indicators in the insurance system in my country**

Indicator name	Unit of measurement	2020	2021	2022	2023	2024
Insurance premiums	billion soums	2 100	2 750	3 420	4 200	5 000
Insurance payments	billion soums	680	820	940	1 150	1 320
Number of insurance companies	piece	31	33	35	37	39
Insurance's share in GDP	%	0,4	0,45	0,5	0,55	0,6
Share of foreign investment	%	3,2	3,8	4,5	5,1	5,8

Table 1 presents the main economic indicators of the insurance market of Uzbekistan for 2020–2024, which clearly reflect the development trend of the insurance system. First of all, the volume of insurance premiums (i.e. contributions paid by insured persons) increased from 2.1 trillion soums in 2020 to 5.0 trillion soums in 2024. This represents an increase of almost 2.4 times in 4 years. Such growth, on the one hand, indicates the expansion of the economy and the activation of the activities of insurance companies, and on the other hand, the increasing financial literacy of the population. There is also a growth trend in the volume of insurance payments — insurance payments, amounting to 680 billion soums in 2020, reached 1.32 trillion soums by 2024. This not only signals that insurers are living up to their obligations to consumers but also that confidence in the system is strengthening. The number of insurance companies is also increasing from 31 in 2020 to 39 in 2024 which shows the industry is becoming competitive and new companies are coming into the picture. And this provides a stimulus for the development of service quality and the creation of the most favorable conditions for the client. On the one hand, although the insurance share in GDP rose from 0.4percent to 0.6percent, this indicator nonetheless remains far below thelevel in developed countries. This indicates that there is still great untapped potential in the insurance market of Uzbekistan [8].

The increase in the share of foreign investment from 3.2 percent to 5.8 percent indicates that confidence in foreign capital in the industry is increasing and the level of market openness is improving [9].

Overall, the data in the table show that the Uzbek insurance system has been in a phase of steady growth in recent years. However, the low share of GDP and the slow growth of payments relative to premiums indicate that the system still has significant reserves for development.

Table 2. Survey of the population and businesses (2024 results)

Question	Answer options	Share (%)
Did you use insurance?	Yes	37
	No	63
What is your level of trust in insurance services?	High	22
	Average	48
	Low	30
Are you satisfied with the quality of service provided by insurance companies?	Yes	41
	Partially	36
	No	23

The results of the survey conducted at the end of 2024 (Table 2) show that the attitude of the population to insurance services and the level of trust are still insufficient. Only 37% of the respondents who participated in the survey stated that they used insurance, while 63% have not yet used this system. This indicates a low insurance culture among the

population, incomplete information about the benefits of insurance services, and in some cases, distrust of companies [10].

The level of trust in insurance services also remains average: only 22% of respondents expressed a high level of trust, 48% rated their trust as average, and 30% noted a low level of trust. This indicates the need to further improve the openness of insurance companies' activities, transparency of payment processes, and the culture of working with customers [11].

In the query about service quality, further responders noted that they were satisfied with the services of insurance companies (41%), partially satisfied (36%), and not satisfied at all (23%). The results suggest an improvement in service quality over the last couple of years but also reveal issues with creating a customer-friendly environment, digitisation of services and transparency. Overall the survey results affirm that further enhancement of public confidence in the industry, raise in the service quality, and promotion of insurance culture still remain among the most essential tasks within the insurance market of Uzbekistan.

Table 3. Factors hindering the development of the insurance market

Factor name	Impact level (1–5 points)	Note
Low insurance culture among the population	4,7	Lack of full understanding of the essence of insurance
Inconsistencies in legislation	4,3	There are conflicts between regulatory documents.
Financial weakness of insurance companies	4,1	Capital shortages and risk management problems
Low staff qualifications	3,8	Lack of practical skills in training specialists
Slow adoption of digital technologies	3,6	Limitations of online insurance systems

The data in the Table 3 show the main factors hindering the development of the insurance market in our country. The most important problem is the low insurance culture of the population (4.7 points). This indicates that most citizens have not yet fully understood the essence of insurance, its importance as a means of economic and social protection. As a result, the lack of need for insurance by many people or the fact that they consider it an excessive expense prevents the full formation of the market [12].

The second important factor is noted as inconsistencies in legislation (4.3 points). Conflicts between existing regulatory and legal acts and their incomplete compliance with practice limit the activities of insurance companies, complicate the introduction of new products and the implementation of innovative approaches.

The financial weakness of insurance companies (4.1 points) is also a serious problem, which is explained by their lack of capital and weak risk management systems. This limits the ability of companies to make large payments and negatively affects customer confidence [13].

Low staff qualifications (3.8 points) are also one of the factors hindering the development of the industry. Insufficient formation of practical skills in the training of specialists, lack of knowledge of modern insurance technologies and international standards reduce the efficiency of companies.

Finally, the slow introduction of digital technologies (3.6 points) limits the possibility of providing insurance services to the general public in a convenient way. The insufficient development of online insurance systems complicates processes for customers and limits competition in the market [14].

In general, the analysis of the table shows that for the sustainable development of the insurance market of Uzbekistan, it is necessary, first of all, to form an insurance culture in the minds of the population, improve legislation, strengthen the financial stability of companies, and introduce digital innovations. If systemic reforms are implemented in these areas, the insurance sector can become an important pillar of the country's economy.

Table 4. Proposals for the development of insurance services

No	Problem name	Proposed solutions	Expected result
1	Low insurance culture among the population	<ul style="list-style-type: none"> - Launch public information campaigns explaining the essence of insurance; - Incorporate financial literacy into school and higher education curricula; - Increase the activity of insurance companies on social networks. 	The population's trust in the insurance system will increase, and the number of insured people will increase.
2	Inconsistencies in legislation	<ul style="list-style-type: none"> - Alignment of laws regulating insurance activities with international standards; - Simplification of licensing processes; - Elimination of conflicts between regulatory legal acts. 	A stable legal environment will be created for the insurance market, and the confidence of foreign investors will increase.
3	Financial weakness of insurance companies	<ul style="list-style-type: none"> - Create incentives for companies to increase their authorized capital; - Expand the risk reinsurance system; - Strengthen financial monitoring. 	The financial stability of companies will be strengthened and their solvency will increase.
4	Low staff qualifications	<ul style="list-style-type: none"> - Establishment of training centers in the insurance sector; - Establishment of foreign experience exchange programs; - Expansion of practical training programs in universities. 	Highly qualified specialists are trained, and the quality of service increases.

The proposals presented in the Table 4 reflect a systematic approach to the development of the insurance services market in our country. First of all, measures to increase the insurance culture of the population - strengthening financial literacy in the education system and launching information campaigns - will serve to strengthen the population's confidence in insurance.

Improving the legislative framework will create a stable and transparent legal environment in the insurance sector and expand the activities of foreign investors. At the same time, recommendations to increase the financial stability of companies - increasing the authorized capital, developing the reinsurance system and strengthening financial control - will ensure the reliability of the insurance system [15].

Proposals to improve the skills of personnel will allow improving the quality of services by expanding the exchange of practical experience and foreign experience. Finally, measures to introduce digital technologies - online insurance systems, electronic payments and blockchain-based transparency - will increase the modern competitiveness of the market.

In general, if these proposals are implemented, the efficiency and attractiveness of insurance services in our country will significantly increase by ensuring trust, transparency and digital convenience in the insurance sector.

Conclusion. The insurance market of Uzbekistan has been demonstrating rapid rates of growth in recent years but it has a low share in the economy. As the study results proved, the obstacles to the development of insurance services in our country are a low insurance culture of the population, inconsistencies in legislation, financial weakness of companies, and lack of personnel qualifications, and slow introduction of digital technologies.

It is necessary to increase educational and educational work, improve legislation, strengthen financial stability, increase the potential of human resources, and introduce digital innovations in order to eliminate the problems that have taken place. With the implementation of these measures, the sustainable development of our country's insurance market and its role in the economy will be multiplied.

Therefore, it is appropriate to express that the establishment of insurance services is not only one of the most important components of financial stability, but also plays a special role in strengthening the social protection of the population and increasing the global competitiveness of the economy of the country.

4. Conclusion

The results show that, although covering itself for the past, the insurance market of Uzbekistan has demonstrated consistent growth: however, this market account only a small share of national economy. The research that was carried out pinpointed some critical constraints which are preventing the insurance services sector from attaining its full potential. The majority of these are the low insurance culture of the population, inconsistencies and gaps in the legislative framework, low financial capacity of insurance companies, low qualification of personnel and slow integration of digital technologies. Feedback and survey seem to prove that the awareness and public trust level in insurance services has improved but those numbers are still lower than desired with only one-third of citizens using insurance in actual life. In addition, lack of coherency of acts and a weak capital base, further limits rooms for innovations and competitiveness in the market (Olayiwola & Kwarbai, 2020). The study highlights the need for a holistic solution to overcome these challenges, including expanding financial literacy programs, enhancing public communication, ensuring legislation is consistent with international practice, increasing companies' authorized capital, and creating a deeper reinsurance system, among other measures. Digital aspects including online platforms, electronic payments, and transparency mechanisms built on the blockchain are also needed in order for customers and the market to work efficiently. Investing in human resource development through training, experience in the broader international milk industry, will help further consolidate the institutional base underpinning the sector. All in all, the development of insurance market is, on the one hand, a prerequisite for financial stability, and, on the other hand, a strategic factor of creating an effective system for social protection for the population, economic modernization and sustainable economic growth in Uzbekistan in the process of transforming to a more competitive and resilient national economy.

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