
**IMPROVING THE METHODOLOGY OF ASSESSING THE RATING AND
RANKING OF RATING ORGANIZATIONS
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Abstract

Keywords:

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financial status,
rating value,

The article is devoted to the analytical assessment of the impact of the macroeconomic policy on the market of property valuation services in Uzbekistan and the role of this market in the national economy, as well as solving the problems of evaluating the rating of the valuation organizations operating in it.

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Introduction

During the relatively long-term development of the property valuation services market, a large number of relatively precise, tested and sharply different methodologies for rating evaluation organizations have been developedⁱ, among which the services of large international rating agencies are preferredⁱⁱ by many. Among them, the lack of a universal methodology universally recognized by all experts makes it difficult to reliably assess the ratings of rating agencies, since several rating agencies provide different ratings for the same company. Such a negative situation causes uncertainty and a certain level of distrust in the choice of evaluation organizations by clients.

Although the use of widely used ratings in the world market of real estate valuation services in Uzbekistan is not legally sufficient, the correctly selected rating evaluation methodology and the ratings and rankings based on it can serve as a reliable source of information for this market. In this regard, the Republic of Uzbekistan "On further improvement of appraisal activities and measures to simplify the mechanisms of sale of low-profit and non-operating enterprises with state participation" in paragraph 7 of

ⁱSheremet A.D. Complex analysis of economic data / A.D. Sheremet.- M.: INFRA-M, 2006. - 415 p. ;Solodov A.A. Mathematical principles of postroeny ranking system // Economics, statistics and informatics. – 2016. – No. 1. – S. 75–81 ;Azimova T. Rating otsenshchikovpovysilsya / T. Azimova // Exchange [Electronic resource]. - The mode is accessible: http://www.gazetabirja.uz/index.php?option=com_content&task=view&id=18921&Itemid=34.

ⁱⁱOnly New York's "big three" major rating agencies account for nearly 90% of this market, i.e.: Standard & Poor's (S&P) - 40%, Moody's Investors Service - 40%, and Fitch Ratings - 10% (Moiseev S.R. Regulirovanie deyatelnosti réytningovykh agentstv na natsionalnom rynke // Voprosy ekonomiki. 2009. No. 2. P. 39.). After all, the price of the services of these international rating agencies (including AM Best Company Inc., Duff and Phelps and others) is very high (Onuchak V.A. Mejdunarodnye réytingovyye agentstva i ix otsenki: Uchebnoe posobie. – M.: Ankil, 2012. -165 etc.).

paragraph 7 of the decision PQ-4381 dated July 1, 2019, "by the Association of Appraisal Organizations of Uzbekistan and the Society of Appraisers From January 1, 2020, on the basis of the monitoring of evaluation reports, the proposal to introduce the rating of evaluation organizations based on the presence of knowledgeable evaluators in the state, the position occupied by this evaluation organization in the market, and other criteria, and to publish it on the websites of public organizations, should be approved. In this decision, the state is trying to protect itself from low-quality evaluations and falsification. However, if the evaluation is done by a government agency, it does not mean that the job is done well. Some private companies operate at a higher professional level than the state, but they are not allowed to value state property. An objective rating can also solve this problem. State authorities should assign property valuations to the best appraisers identified by rating, not government agencies. It was stated that it supports the proposal on the advisability of forming and regularly publishing a rating of business reputation of rating organizations, which is based on the advanced foreign experience of rating evaluation, creating an appropriate infrastructure and its regulatory legal framework, and from the results of the rating of rating organizations, state agencies, commercial banks and other organizations means that assessment organizations for cooperation should be used in conducting selection contests and events. After all, potential customers of rating agencies cannot determine the financial status, rating value and ranking of any rating agency they are interested in, nor can any rating agency and its association do these things. Because to do these things, on the one hand, costs are required, and on the other hand, not every evaluating organization is ready to disclose all confidential and non-confidential information in administrative documents. It is for this reason that all these works should be carried out by impartial rating agencies or experts in order to develop the market of national property valuation services based on competitiveness and transparency.

MAIN DISCUSSIONS

Currently, the world market of rating evaluation services is characterized by an oligopoly, in which more than 100 rating agencies operate. However, the share of the big rating agencies of New York, which are called "big three", is about 90% of this market, that is ⁱⁱⁱ: Standard & Poor's (S&P) - 40%, Moody's - 40% and Fitch - 10%. After all, the price of the services of these international rating agencies (including AM Best Company Inc., Duff and Phelps, etc.) is very high ^{iv}. For these and other reasons, rating organizations in Uzbekistan are not yet fully ready to use the services of international rating agencies.

Currently, the methodologies of different rating agencies and their corresponding scales are used to evaluate the rating of different companies all over the world. As a result, when analyzing companies with the same activity using different methodologies, it is observed that the results differ. Alternative methodologies of rating agencies, differences in rating evaluation scales and standards, use of factors (indicators) with different contents are the cause of different rating evaluations. For example, the rating scale standards of the world's three largest international rating agencies are presented in Table 1 ^v, and the rating

ⁱⁱⁱMoiseev S.R. Regulirovanie deyatel'nosti reytingovyykh agentstv na natsionalnom rynke // Voprosy ekonomiki. 2009. No. 2. S. 39.

^{iv}Onuchak V.A. Mejdunarodnyereytingovyeagenciestvai ix otsenki: Uchebnoeposobie. - M.: Ankil, 2012. - 165 p.

^vKurbatova E.V., Bezborodova T.I. Reitingovayaotsenkakakekonomicheskaya category. // V monograph: Theoretic-methodological approaches to the formation of systems of sustainable development of enterprises, complexes, regions. Pod ed. V.V. Bondarenko, I.A. Igoshinoy, M.A. Taninoy, T.I. Bezborodovoy. - Penza: Izd-vo PGU, 2016, 508 p. - pp. 185-192. ;Karminsky A.M., Peresetsky A.A., Petrov A.E. Rating and economic. — M.: Finance and statistics, 2005. — 240 p. ; Karminsky A.M. Model of corporate credit rating. — M.: Rossiyskaya ekonomicheskaya shkola, 2009. - <http://fir.nes.ru/ru/programs/econ/>

scales in them are divided into classes and groups ^{vi}. The scales presented in this table 1 are also used to evaluate the rating of other types of organizations in addition to banks.

The rating and ranking ratings of rating organizations are given in Table 1 as a numerical analogue of the scale classes of International rating agencies in column 5 [1; 27; - *n*] can accept a transition scale consisting of a set of numbers in the interval.

The fact that these agencies do not provide rating services to companies falling into the index corresponding to numbers 22-25 of the scale means that they belong to the default class groups. In this [1; 27; If the number 1 in the interval - *n*] corresponds to the largest amount of the financial size, the number - *n* corresponds to the evaluating organization with a negative financial size.

Table 1

Comparison of rating scales of three international rating agencies^{vii}

Gradation of rating scales				Digital analogue of scale classes
S&P Bank Deposits (creditworthiness)	Fitch Bank Deposits (Creditworthiness)	Moody'sBank Deposits (Creditworthiness)	Moody's BFSR (financial stability)	
1	2	3	4	5
AAA	AAA	Aaa	A	1
AA+	AA+	Aa1	-	2
AA	AA	Aa2	-	3
AA-	AA-	Aa3	A-	4
A+	A+	A1	V+	5
A	A	A2	V	6
A-	A-	A3	V-	7
VVV+	VVV+	Wow1	S+	8
VVV	VVV	Wow2	S	9
VVV-	VVV-	Wow3	S-	10
VV+	VV+	And1	D+	11
VV	VV	And2	D	12
VV-	VV-	And3	D-	13
V+	V+	V1	E+	14
V	V	V2	-	15
V-	V-	V3	-	16
SSS+	SSS+	Saa1	-	17
SSS	SSS	Saa2	E	18
SSS-	CCC-	Caa3	-	19
S	C	Ca 1	-	20
D	D	Sa2	-	21
-	-	Sa3	-	22
-	-	C1	-	23
-	-	C2	-	24

Documents/Preprinty/2010/Karminsky_2010.pdf.; Karminsky A.M. Informatsionno-analiticheskoe obespechenie business. — M.: Finance and statistics, 2007. — 272 p .

^{vi}For example, Moody's rating agency has 9 classes (Aaa, Aa, A, Vaa, Va, V, Saa, Sa, S), the first 4 of which are investment, and the next 4 are speculative, and the last one, C, is a default class. In turn, classes are divided into groups.

^{vii}Note: Usually, the International rating agencies listed in this table 1.2 do not provide rating services to companies that fall into the index corresponding to numbers 22-25 of the scale in column 5.

-	-	C3	-	25
-	-	-	-	26
-	-	-	-	27
-	-	-	-	- n

Usually (in world practice), the rating of rating agencies is evaluated based on three basic indices - business index, corporate index, financial index - covering relevant qualitative and quantitative indicators (parameters) (the estimated list of which is given above).

Based on the following approach, it is possible to propose improved rating and ranking evaluation principles and methodology, which fully take into account the characteristics and characteristics of the activities of the evaluation organizations, which are professional institutions of the market of property value evaluation services, and the national scale of the rating evaluations determined in accordance with the scale of the international rating agencies.

The proposed comprehensive approach is based on the following principles, and the set of methodologies that ensure their implementation is the rating and ranking evaluation methodology.

The approach is shaped by the following principles and methods.

1. The principle of rating and ranking evaluation by dividing the qualitative and quantitative parameters of the evaluation organization into two large integrated groups of benchmark (index) indicators.

Within this principle, the following two large integrated groups of indices can be used:

1) assessment of the assessment organization's activity (success, reliability, competitiveness, reputation) in the market of assessment services according to the qualitative rating index (SRI) that adequately expresses the rating of the assessment organization using a set of qualitative indicators;

2) assessment of the assessment organization's financial condition and financial size rating by quantitative rating index (MRI) that adequately represents the assessment organization's balance sheet (BTBB) using a set of 4 main integral (summar) indicators.

The results of the development and formation of both integral indexes (SRI and MRI), which qualitatively and quantitatively represent the state of the evaluating organization, are equivalent categories.

The SRI and MRI categories, which are equivalent to each other, can reflect the status of the evaluation organization separately.

The third regulatory factor (RO) determines the change in SRI and MRI indices, which are considered equivalent to the state of the rating organization. While RO, SRI and MRI:

- the productivity of the human capital engaged in the activities of the evaluating organization (that is, individuals such as the owners, employees and workers of the organization, managers), including the efficiency of using innovation and digital technologies;

- depends on the level of development of the evaluation services market, which operates depending on the macroeconomic policy of the state.

From a scientific-philosophical point of view, since the categories of SRI and MRI are causally related by means of RO based on the law of the dialectic of the transformation of quantity into quality and quality into quantity, they have the property of turning into each other and forming a change of each other through RO. Therefore, it is possible to propose the feasibility of the hypothesis that SRI and MRI are equivalent categories related to each other through RO. Because the correctness of this hypothesis based on the rules of socio-

economic systemology was proved mathematically by professor Sh. Shoha'zami. In order to express the essence of the hypothesis based on these rules and evidence, a toroidal model in the form of Figure 1 is appropriate.

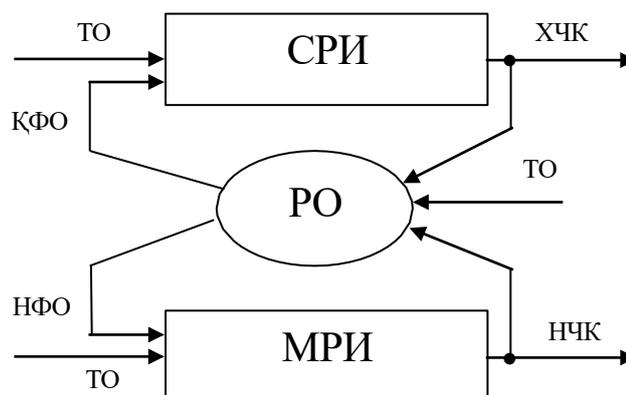


Figure 1. A toroidal structural-functional model representing the relationship of SRI and MRI categories through RO

In Figure 1: TO – external factors that simultaneously affect MRI and SRI categories; CCC – output indicators (indicators) of the SRI category, which simultaneously affect the RO category;

NChK – output indicators of the MRI category, which simultaneously affect the RO category; RO – common regulator for MRI and SRI categories;

QFO and NFO are internal factors that are formed by RO and affect the functions of SRI and MRI categories, respectively. Taking RO, TO into account, it performs the function of a balancing mechanism, which consists in forming internal factors (QFO, NFO) based on KChK and NChK. All factors are causally related.

Thus, on the basis of the above, it can be said that the implementation of the 1st principle relies on the mathematical proof that SRI and MRI categories are equivalent and on the rules of socio-economic systemology. This means that it is possible to rely on the SRI or MRI category to assess the rating of rating organizations (not the ranking!), and to determine the ranking, it is necessary to use a financial measure.

the main (4 integral) indicators of ^{viii}BTBB, the use of MRI in evaluating the rating and ranking of any rating organization is preferable because it is easy and simple to calculate as a quantitative index. Because, in rating assessment based on SRI, some quantitative indicators (scores) and criteria, which conditionally express qualitative indicators and parameters indirectly (not directly and directly!) and the need to use statistical-empirical (correlation-regression-dependent) laws, it has not always been easy to apply SRI in practice.

CONCLUSIONS

It should be noted that the choice of SRI or (and) MRI and therefore the assessment of the rating and the determination of the ranking using the financial dimension depend on the final wishes of the client of the rating agency (property value assessment organization) who is interested in them. , respectively, given methods can be used. That is, based on the BTBB main 4 integral indicators of the evaluation organization, it is better to evaluate the rating and ranking of the evaluation organization using the MRI quantitative index using the existing methodology.

^{viii}Shoha'zami Sh.Sh., Sunnatov Yu.U. A new approach to the analysis of financial and economic activities based on the balance sheet of companies.// "International Finance and Accounting" scientific electronic journal No. 5, September 2017.-20 p.;

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