



IMPLEMENTATION AND DEVELOPMENT OF THE CORPORATE MANAGEMENT SYSTEM IN UZBEKISTAN

Uzoqov Saidbek Diyor o'g'li

Fourth-year student at Public Law Faculty in Tashkent State
University of Law, Tashkent city, Uzbekistan

Abstract

This article analyzes the implementation of a corporate governance system in joint-stock companies and limited liability companies of Uzbekistan, an analysis of current corporate governance in accordance with global principles of corporate governance and diversification of the national corporate governance system in the context of economic diversification, as well as the development of recommendations and proposals on corporate governance in activities of joint stock companies.

Keywords. joint stock company, limited liability company, principles, diversification, corporate code, strategic management.

Introduction

Currently, there is rapid development in the field of corporate governance on a global scale. The main goal of economic reforms implemented in our country is to accelerate economic activity on the basis of property diversity, transfer property from state ownership to the non-state sector, and thereby create various self-governing private economic units. It is not a secret to anyone today. The success of such economic reforms carried out in our country largely depends on the effective reactivation of expropriated properties, establishment of joint ventures, transformation of enterprises into joint-stock companies, especially the development of small and private entrepreneurship. On this basis, special importance is attached to the establishment of corporately managed links of the economy by turning most state-owned enterprises and organizations into joint-stock companies.

The effect of this is clearly visible in the example of measures taken to liberalize the economy, introduce market principles of management in industries, and create a favorable business environment. However, it is gratifying that such positive changes are being achieved in our country at a time when the global financial and economic crisis caused by the pandemic is still ongoing, the demand in the markets has decreased sharply, the instability of the economic situation, and the decrease in investment activity have a negative effect on the economy of many countries.

In fact, in recent years, priority has been given to the foundation of completely new sectors of the economy, especially to the modernization of their management methods. The development strategy of New Uzbekistan for 2022-2026 of the President of the Republic of Uzbekistan Sh. Mirziyoyev is important in terms of development strategy and effective management of joint-stock companies. [1] The head of our state touched on this at the meeting and said that our radical change of principles and approaches in the corporate management system made a great contribution in ensuring that it corresponds to the real market relations and in abandoning conservative views, but also in the



establishment and work of joint-stock companies all over the world. At the time when corporate management was recognized as the main method, he emphasized that the work being carried out in this regard is not satisfactory, and that there are still many tasks to be performed. He said that the corporate method is an important condition for the transition to a market economy, that it is vital to study the experience of developed countries in this regard, and that it is especially important to attract young professionals who have a thorough knowledge of the field and can apply modern management and marketing methods in practice.

Analysis of literature on the topic

At the same time, an in-depth analysis of the path of development of our country, today's world market situation has changed dramatically, and the competition is becoming more and more intense in the conditions of globalization. requires release [1].

Today, an effective corporate governance system is considered a decisive factor in making investment decisions[2], and for this reason, a company without a corporate governance system does not have the opportunity to become a full market participant to become competitive and attractive for investment. In world practice, the main criterion for this serious attention to corporate governance in the last decade is the desire to create a safer and more comfortable environment for investors [4].

According to the Code of Corporate Governance of the Republic of Uzbekistan, corporate governance is the effective organization of JSC activities in order to achieve a balance of interests of the executive body of a joint-stock company, its supervisory board, shareholders, representatives of the labor team and other interested parties, including creditors, is a system of mutual relations aimed at ensuring modernization, technical and technological rearmament of production facilities, production of a competitive product and its export to foreign markets [16].

In the studies of the economist A. Berlin, who conducted research on corporate management, the issues of choosing a strategy in the management of corporations and developing enterprise management, management of investment activities were studied [5]. According to M. Hessel's research, "Corporate management is the interaction of owners and other interested parties related to the assessment and control of the enterprise's activities." [6] The author of the Corporate Governance Code (1992) based on Sir Adrian Cadbury's document containing proposals for the reform of the corporate governance system, corporate governance (from the English word Corporate Governance) is the management of the company's activities and is a system that ensures the implementation of control [7].

In the Republic of Uzbekistan, a number of scientists Sh.Zaynutdinov[8], D.Suyunov[9], B.Berkinov[10], M.Khamidulin[11], N.Rasulov[12] theoretically analyzed some aspects of the corporate management system. methodological foundations have been studied. In particular, M.B. According to Khamidulin's research on corporate governance, corporate governance is the continuous determination, definition and adoption of important strategic decisions by the owners of the corporation aimed at forming the capital of the corporation, using it more effectively for the purpose of profit, and the fair distribution of the received income among all participants of corporate relations.



and conscious, direct participation in ensuring real impact." [11] Another economist is one of our scientists

D.H. According to Suyunov, "Corporate management is a set of actions to achieve the goal of the company based on the applicable norms protecting the rights and interests of the owners of the entities included in the form of corporate property, as well as certain principles of management" [9].

The economic nature of corporate governance has been studied for many years, and one can witness the diversity of researchers' opinions in this regard. "Corporate management - ensuring the constant and real influence of the owners of the corporation on the determination, definition and adoption of important strategic decisions aimed at the formation of the capital of the corporation, its more effective use for the purpose of profit and the fair distribution of the received income among all participants of corporate relations is conscious, direct participation". Corporations as an organizational legal form are not widely used in all countries, including Uzbekistan. From this point of view, corporations, companies, joint-stock companies, limited liability companies, etc. are summarized by the concept of corporate structure [13].

The theoretical and methodological foundations of some aspects of the corporate management system have been researched by the above scientists and other scientists. However, it shows that the issue of implementing the corporate governance system in joint-stock companies is not covered and there are not enough research works to improve the efficiency of corporate governance in our republic.

Research methodology

Different methods were used in the process of conducting research on this scientific work. Deductive methods were used in data collection and sorting. Research the resulting results were drawn as a final conclusion through the induction method. Statistics have been widely used to compare financial and non-financial data and obtain research results. At the same time, the relationship between corporate governance and organizational behavior was studied through the method of analysis in conducting scientific research. The synthesis method was used to calculate the generalization of the discussion.

Analysis and results

The conducted researches and studies show that further deepening of structural reforms in the economy, revitalization of investment activities of enterprises, wide attraction of foreign investments, first of all direct foreign investments, and their effective use, production In order to modernize, technical and technological re-equipment, create new jobs and, on this basis, to ensure stable and rapid development of our national economy, a large amount of funds are allocated from the republican budget.

By reforming corporate governance, creating a favorable environment for attracting foreign direct investment, increasing the efficiency of the company, increasing the openness and transparency of the activities of the providing institutions in joint-stock companies, showing their attractiveness to potential investors, including foreign partners. should serve to provide, introduce modern methods of



corporate management, strengthen the role of shareholders in corporate management, strategic management, and ensure the stable growth of the company's economy.

Today, Uzbekistan, one of the independent countries of Central Asia, led the reform and improvement of the corporate governance system, and as a result of the implementation of the reform program, significant changes were made to the country's corporate governance system. Nevertheless, despite the recent changes and improvements in corporate governance, we do not know whether corporate governance practices are implemented in accordance with the global principles of corporate governance.

It should be noted that even though corporate governance reforms are being implemented in Uzbekistan at a rapid pace, a number of unsolved problems have arisen in the corporate governance system. The main problem is joint-stock companies in which the state is the main shareholder.

The need for further development of corporate governance is related to the possibility of achieving positive results with its help:

- ✓ ☐ increase the investment attractiveness of the company;
- ✓ ☐ attracting investors ready for long-term investment of financial resources;
- ✓ ☐ increasing activity efficiency;
- ✓ ☐ reduce the cost of obtaining bank loans;
- ✓ ☐ increase the market value of the enterprise;
- ✓ ☐ facilitating access to capital markets;
- ✓ ☐ improving the image and reputation of the company.

In addition, the introduction and active application of the basic principles of corporate governance in the practice of the organization can have a direct economic effect. By improving the existing corporate governance system, local business entities can expect to receive additional premiums on their share prices, ranging from 20 to 50% [14].

Currently, the main tasks of improving corporate governance practices of Uzbek companies are as follows:

- ✓ ☐ dissemination of international experience;
- ✓ ☐ active participation in the normative legal regulation of the protection of the rights and interests of the owners;
- ✓ ☐ focus on attracting investments.

For this, it is advisable to conduct a number of activities in the following directions:

1. formation of an effective mechanism to prevent the illegal write-off of uncertified securities;
2. spreading the principle of openness and transparency;
3. development of strict rules and procedures for corporate purchase by formulating and clarifying the procedure for purchasing more than 30 percent of ordinary shares;
4. to modernize the current procedure of establishment and liquidation of legal entities;
5. to clarify the process of formation of the board of directors;



6. implementation of the principle of variability in relation to models of distribution of management functions and strategic management of a collegial or single body;

7. improvement of the mechanism for resolving disputes within the corporation.

Today, it can be argued that the implementation of these measures is being carried out step by step. In particular, it should be noted that the new Corporate Governance Code was adopted in 2019. According to the country's leadership, this will increase investors' confidence in the domestic stock market and increase the efficiency of organizations.

Most of the changes in the approved Code are aimed at public companies and are related to:

1. prevention of artificial distribution of control functions in the corporation;
2. except when the owners of shares receive other income at the expense of the organization, except for dividends or liquidation value;
3. transferring the function of election or termination of executive bodies to the board of directors;
4. to attract independent persons to participate in the board of directors in the ratio of 1: 3.

Thus, in modern conditions, corporate governance is of particular importance.

Every self-respecting company is obliged to form an effective management system based on scientific methods and innovative technologies. This allows not only to achieve positive results within the corporation, but also to increase the efficiency of production and management, to reach the international level.

In a special document approved by the Organization for Economic Co-operation and Development (OECD) in 1999, which unites a group of countries with developed market economies, "one of the important elements of increasing economic efficiency is corporate governance, including the company's management (management, administration), its board of directors (supervisory board)), a complex of relations between shareholders and other interested parties (stakeholders). Also, corporate management determines the mechanisms of forming the company's goals, means of achieving them, and control over its activities. "

The specific features of the corporate management system are mainly determined by the general economic factors, state policy, level of competition, specific features of the legal and economic environment, business ethics and awareness of the corporation's social responsibility to society, for example, in the field of ecology.

Signs of an effective corporate governance system defined by the World Bank:

- 1) transparency of financial and other business information about the company's activities, the process and results of monitoring the managers' activities;
- 2) to protect and ensure the rights and interests of all shareholders;
- 3) independence of the directors of the corporation in determining the strategy, approving business plans, making other important decisions, appointing managers, monitoring, replacing managers if necessary;
- 4) maximizing financial flows (profits) and, at the same time, payments to shareholders.

The international principles of corporate governance are expressed as follows. European Bank for Reconstruction and Development (EBRD) Corporate Practices and Good Business Practices. This



document was prepared in 1997 by the European Bank for Reconstruction and Development together with Kupere and Laybrand in order to better understand what factors are most important to companies when making investment decisions by reputable lenders and investors. In accordance with YTTB's corporate practices and sound business practices, companies are advised to follow the following principles in their interactions with stakeholders:

1. Interaction with customers:
2. Relations with employees:
3. Relations with suppliers:
4. Relations with the public:
5. Relations with state bodies and local governments: The company's relations with shareholders are the most important.

Therefore, the following recommendations are included in the prudent business standards: Basic principles of Euroshareholder corporate governance In 1990, the Confederation of European Shareholder Associations was established, which includes eight national shareholder associations (Belgium, Great Britain, Germany, the Netherlands, Denmark, Spain, France and Sweden) entered. The main task of the organization is to represent the interests of individual shareholders of the European Union, to protect small shareholders, to ensure the openness of the capital market, to increase the value of share capital in European companies, and to support corporate governance issues.

On the basis of the five principles of the European Union Cooperation Organization (EUC), Euroshareholders has developed its program, the main principles of corporate governance, which include a number of principles regarding the company's objectives, voting rights, protection against takeovers, the right to information and the role of the board of directors.

Institutional investors, such as CalPRES (California Public Employees' Retirement System), one of the largest and most active pension funds in the USA, play an important role in the development of the shareholder movement. This fund was established in the early 1980s and invests in foreign companies in addition to operating in the American financial market.

Conclusions and suggestions

Thus, the learned international experience, as well as the procedure decided in practice, determine the need to introduce the institute of corporate consultants into the management bodies of joint-stock companies. The introduction of the Institute of Corporate Consultants will increase the level of legal protection of the republic's shareholders, especially minority shareholders, and will allow more effective consideration of their legal interests in the implementation of the activities of the management bodies of joint-stock companies.

In most countries of the Organization for Economic Cooperation and Development, the advantage of "advanced experience of corporate management" is that they are included in various codes and recommendations and do not have the status of a legal and regulatory document. In this case, the mechanisms of compliance of these standards (recommendations) based on the rule "disclose information about compliance or explain the reasons for non-compliance" (comply or explain) are used.



In the United States, after the large and sensational corporate scandals of 2001-2002, measures were taken to strengthen certain standards, which were considered voluntary until now, by law. A clear example of this is the Sarbanes-Oxley law adopted in 2002, which has been interpreted differently both in the United States and in Western Europe.

On the other hand, there are different opinions regarding the strict reliance on the principle of voluntariness. However, many experts believe that the principles of advanced corporate governance should be implemented on the basis of combining the efforts of state management bodies, investor organizations, financial intermediaries and associations. According to the assessment of the level of compliance of the corporate governance system with the principles of IHTT in 27 developing countries, the corporate governance system in Uzbekistan meets the average requirements (medium compliance). [20]

The development of corporate governance is also related to privatization through the transformation of state property into joint-stock companies. As a result of such works, many joint stock companies were established in our country. The fact that large enterprises, which make a significant contribution to the growth of the country's gross domestic product, operate in the form of joint-stock companies is also a sign that the development of the field of corporate management is of great importance.

Masaru Khomman, director of the Tashkent office of the European Development Bank, said that reducing state participation in the economy and stimulating the development of the private sector is an urgent task in most countries of the world. A well-thought-out strategy for the privatization of state property is being implemented in Uzbekistan, and the fact that managers have deep knowledge is an important factor in ensuring the success of this process.

1. It was noted above that one of the most important issues today is the construction of the structure of corporate organizations such as joint-stock companies in our country and the establishment of the basic principles and procedures of their activities, their legal status, and the formation of a complex of corporate law norms that regulate the rights and obligations of shareholders and other participants in corporate relations.

The origins and stages of development of corporate structures are improving year by year, covering several periods. In the economy of Uzbekistan, mechanisms for improving the activities of corporate management structures were created based on the experience of foreign countries and are developing day by day. This can be expressed by the activities of economic structures in the form of corporate governance operating in our country.

2. Analysis of the company's management structure, financial results, analysis of the financial situation, based on indicators that show the effectiveness of management, the purpose of conducting a financial analysis in the company is the financial results achieved and achieved in the future through the reports of the company. and consists of assessing the financial situation and making an economic diagnosis.

The main attention was paid to strengthening the position of corporate structures in the conditions of the market economy and the emergence of risk situations, as well as the effective implementation of innovative management strategies in this process, improving the efficiency of the enterprise. However, most importantly:



- stabilization of production is ensured. Integrated corporate structures create a positive basis for the mutual embodiment of technological and cooperative relations of enterprises. Due to the creation of close relations between the participating enterprises, the scope of production of products in demand in the market, the scope of work and service provision will further increase;

- acceleration of scientific research progress. Integrated corporate structures help in the sustainable development of the republic's economy in the implementation of a unified technological and investment policy within the framework of scientific-practical and production-technological complexes.

3. The creation of innovative techniques and technologies reduces the risk associated with production, the financing of long-term research and production cycles is improved, and strategic cooperation with foreign companies develops. The formation and development of integrated corporate structures in the country's economy will not only increase the strategic competitiveness of our national economy, but will also help in overcoming the crisis that appears in the financial and production sectors. At the same time, in order to increase the efficiency of integrated corporate structures: we believe that it is appropriate to include not only large enterprises, but also small enterprises in the integrated corporate structures and to establish organic relations between them. It is possible to increase the types and forms of activities of financial organizations in the integrated corporate structures, in addition to commercial banks, investment funds, insurance companies can be included in them, due to this, temporary free funds can be quickly attracted and used effectively, and in the future risk reduction (insurance against negative economic events occurring in various crises) is achieved.

In conclusion, the state policy aimed at improving business conditions, creating a favorable business environment, and the struggle in the current full-fledged competitive environment in the country encourages national firms to modernize production and technical rearmament in order to achieve superiority in terms of quality and price.

In this way, the rapid introduction of innovative technologies and modern scientific achievements into production, the diversification of the production structure is achieved. The company, which has gained in the competition in the domestic market, uses its experience in the international market, where the competition is stronger. The harder the internal struggle, the greater the chance of this firm succeeding in the international market.

Based on the above, we believe that it is appropriate to implement these measures to create a full competitive environment and modernize production in our republic, as well as further increase the competitiveness of our national products.

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