

IMPLEMENTATION AND DEVELOPMENT OF THE CORPORATE GOVERNANCE
SYSTEM IN UZBEKISTAN

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Abstract: *In the below article analyzes the implementation of a corporate governance system in joint-stock companies and banks of Uzbekistan, an analysis of current corporate governance in accordance with global principles CG and diversification of the national corporate governance, as well as the way of developing corporate governance and it's role on attracting investments.*

Keywords. *CG, OECD, principles, diversification, corporate code, strategic management, corporate management, Governance Code, EUC*

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. The Leader 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 the 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 [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 in order to be competitive and attractive for investment. In world practice, the main criterion for such 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, modernization and development 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 the technical and technological rearmament of production capacities, the production of a competitive product and its export to foreign markets .

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. The results obtained as a result of the research were drawn as a final conclusion through the method of induction. 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, introducing modern methods of corporate management, strengthening the role of shareholders in corporate management, strategic management, and ensuring 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:

- increasing the company's investment attractiveness;
- attract investors ready for long-term investment of financial resources;
- increase the efficiency of activity;
- reducing the cost of obtaining bank loans;
- increasing the market value of the enterprise;
- facilitating access to capital markets;
- improve 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;
- normative legal protection of rights and interests of owners active participation in regulation;
- 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. dissemination of the principle of openness and transparency;

3. developing strict rules and procedures for corporate acquisition by formulating and clarifying the procedure for the acquisition of more than 30 percent of ordinary shares;
4. modernization of the current procedure for establishing and liquidating legal entities;
5. clarification of 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.

The specific features of the corporate governance system are mainly determined by general economic factors, state policy, the level of competition, specific features of the legal and economic environment, business ethics, and the corporation's awareness of its 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 defining 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 the company "Kupere and Laybrand" in order to better understand what aspects are considered most when making investment decisions by reputable creditors and investors.

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. recommendations are reflected.

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.

Internationally recognized model principles are the basis of the main principles used in our republic today. The management system of the joint-stock company must ensure the implementation of the principles of corporate governance. Unfortunately, one of the problems that exist today is the insufficient study of advanced foreign experience in corporate business management by the management and managers of most joint-stock companies, as well as the lack of a comprehensive approach by the authorities of this issue control and management of enterprise activities. has a negative impact on the processes. These control and management bodies do not sufficiently take into account the specific aspects of the implementation of the management processes of joint-stock companies.

From the above, it can be concluded that today there is no single model of corporate governance that can be used for all companies of the country. Based on many developed and transition economies countries use the option of combining individual parts of different models.

Currently, the national model of corporate governance in Uzbekistan is undergoing the stages of improvement. Many generally accepted principles of corporate governance are reflected in national legislation. However, the practice of their implementation and traditions of corporate behavior have only just begun to form. Many issues related to corporate behavior are not legal and are moral rather than legal in nature. Therefore, it is appropriate to develop a corporate code of conduct, taking into account the foreign experience and the characteristics of the national practice of corporate management. In it, the foundation for the formation of ethical standards in the field of corporate management and corporate culture should be laid. This also helps to increase the investment attractiveness of national companies.

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 enable more effective consideration of their legal interests in the performance of the management bodies of joint-stock companies.

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 government 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 OECD in 27 developing countries, the corporate governance system in Uzbekistan meets the average requirements (medium compliance). [16]

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 in-depth 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 to build the structure of corporate organizations such as a joint-stock company in our country and to determine the main 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. we passed.

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, the purpose of conducting a financial analysis of the enterprise based on the indicators that show the effectiveness of the management activity is the financial results achieved and achieved in the future through the reports of the enterprise. 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 firms 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.

4. In order to ensure the efficient operation of many enterprises with corporate management systems operating in our republic, specific measures should be established to improve the corporate management system and increase the responsibility of the management of the joint-stock company. In this context, it is appropriate to implement the following suggestions:

- improvement of the legal base of the Republic of Uzbekistan in the field of corporate management, development of measures to improve the activities of corporate structures;
- Establishing the introduction of the position of corporate consultant in enterprises, which is still new for the corporate management system of the Republic of Uzbekistan. This position is an employee who ensures regular and effective communication between the owners of the joint-stock company, its executive body and the supervisory board;
- to widely promote the concept of corporate behavior within the corporate management structures, and by means of this, to increase the efficiency of the enterprise;
- to ensure the level of openness of information in the management process of the joint-stock company, as well as regular reporting of the management bodies of the joint-stock company to shareholders or shareholders;
- development of management information systems in the activities of corporate structures ensure effective implementation of strategies;
- achieving efficiency in production by introducing the matrix management system of the product life cycle into the practice of corporate structures engaged in high-level service and product production.

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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