

DEVELOPMENT OF CORPORATE GOVERNANCE IN UZBEKISTAN: USING MODERN WORLD STANDARDS

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Abstract: The article discusses issues of development corporate governance in Uzbekistan based on world standards The problems of improving corporate management. Directions for further development are proposed corporate governance based on the introduction of modern methods corporate governance at the enterprise.

Keywords: joint stock company, corporate governance, international standards, strategy, corporate governance code.

Introduction. The main purpose of our research is to examine the concept of corporate governance, apply the principles of corporate governance in the activities of companies in Uzbekistan, analyze the literature in the field of corporate governance and discuss the key elements of corporate governance structures using the example of developed countries.

Corporate governance is known as the system that is used to control and manage a company. The evolution of corporate governance dates back to the collapse of the Roman Empire. It was after the fall of the Roman Empire that the entrepreneurial activities of church members and robber barons noticeably improved at a higher level compared to business people. It was reported that the nature of the business activities carried out during this period was simple and there were differences between the church and its members.

Literature Review. This can be explained by the fact of the long existence and presence of the church during the period of accumulation of wealth; therefore, churches are considered the ancestors of modern corporations [1] (Calder, 2008).

Therefore, there is no single definition that can be applied to understand the underlying definition of corporate governance from different perspectives. According to La Porta, corporate governance directly influences the decision-making process of senior managers [4] (La Porta, Lopez-De-Silanes F. and Shleifer, 2000). According to Shleifer, corporate governance is a system that helps financial corporations ensure the security of their return on investment [5] (Shleifer, Vishny, 1997). Pei's description mentions that corporate governance is a system that controls and directs a corporation [6].

Analysis. Currently, a number of large corporations continually dominate economic activity not only locally but also globally. In this regard, the corporate governance systems used in these corporations also differ from each other. Considering the case of banks, which play a significant role in the economy of every country, it can be stated that their strength and constant stability are the most important points that attract the interest of the general public.

However, the state of corporate governance has not been sufficiently studied in developing countries such as Uzbekistan.

Currently, most industrial organizations are formed on the basis of the principles of corporate governance. In order to increase the efficiency of joint stock companies and create favorable conditions for the investment environment, a number of new regulations have been adopted.

For example, the Decree of the President of the Republic of Uzbekistan dated April 24, 2015 is devoted to measures to improve the application of modern principles of corporate governance in the activities of joint-stock companies. Some of the points highlighted are:

- study the international practice of companies operating on the principles of corporate governance;
- create joint stock companies based on foreign direct investment and improve operating conditions in order to attract the attention of investors;
- carry out strategic management of joint-stock companies, create an effective system of control over the corporation's personnel;
- train young specialists in effective strategic management measures in close cooperation with leading international universities [10].

Creating favorable conditions for investment and increasing attention to attracting foreign direct investment in Uzbekistan is considered one of the most important issues that are constantly discussed and supported at the government level. Therefore, it is important to review a number of regulations adopted by the government of Uzbekistan in order to carefully study the consequences of the adopted regulations.

In recent years, large-scale reforms have been carried out in Uzbekistan to develop the national corporate governance system, which are aimed mainly at introducing modern methods of corporate governance, radically increasing the efficiency of joint-stock companies; widespread attraction of foreign investment into joint stock companies; ensuring their openness and investment attractiveness; a radical change in the principles and approaches to the corporate governance system and giving it the real character inherent in a modern market economy.

The basic principles of corporate governance in Uzbekistan are set out in this law, taking into account the specifics of the nation, management and control. The adoption of this law led to the positive development of market relations in Uzbekistan.

The law clearly defines specific cases of the activities of joint-stock companies, their reorganization, liquidation, management of the company, securities of the joint-stock company, distribution of profits and dividends.

Also in 2016, the Resolution of the President of the Republic of Uzbekistan "On measures to further improve corporate governance in joint-stock companies with a predominant share of the state" was adopted [8].

- Innovative development of corporate governance has the following advantages: increases investment attractiveness;
- helps attract long-term investors;
- allows you to reduce cost of lending; increases the market value of the company or joint stock company, as well as the practical application of proposals and recommendations that determine the prospects for innovative development national corporate governance system based on global standards;
- serves to improve the regulatory and legal institutional basis of the corporate governance system Uzbekistan, which increases the efficiency and transparency of activities joint stock companies, the role of shareholders and other interested parties in the development of the corporate governance system of the Republic Uzbekistan.

Discussion. There are two theories that can be used to explain corporate governance. The first theory is known as the shareholder theory. Shareholder theory posits the role of the shareholder as a principal and the role of the manager as an agent, which is similar to agency theory. The welfare of the shareholder is the main goal of agency theory. Thus, agents are expected to act in the best interests of the shareholder. The second theory underlying corporate governance is stakeholder theory, which can be used to explain the relationship between a corporation and its stakeholders.

Thus, in order to promote the application of corporate governance principles in joint stock companies, it is necessary to carefully analyze and implement modern methods of public administration. In this regard, established companies with extensive experience in corporate governance can be used as a guide, given our local economic conditions. The corporate sector of developed countries has already confirmed the process of convergence of current legislation and forms of corporate governance.

For example, one of the leading US energy companies, Enron, went bankrupt, and some of its members were prosecuted for preparing false financial statements. This caused the US government to revise regulations regarding corporate governance. However, despite Enron's bankruptcy, US corporate governance principles subsequently became the strongest in the world.

In Germany, the activities of the supervisory board are carried out on the basis of the German Companies Act. In the case of companies with more than 2,000 employees, employees are given the right to elect half of the members of the supervisory board.

As stated in the German Companies Act, only representatives of shareholders have the right to serve on the supervisory board of joint stock companies. However, there may be some variations depending on the type of stock corporation. The Law on the Supervisory Board provides that shareholders and employees can act as members of the supervisory board. Compared to Germany, there is no such restriction in Uzbekistan, since the supervisory board must include only shareholders. Moreover, employees in Uzbekistan do not have the right to be elected to the supervisory board.

From a UK perspective, the country's economy largely depends on the efficiency of the firm. Thus, the introduction of a single board of directors allows board members to manage the company with a high degree of freedom. In 1844, the Joint Stock Companies Act was passed to stipulate cooperation between different forms of companies [7]. However, in 1855 a new Limited Liability Act was passed to articulate the rights of the owners and the company. Previously, the bankruptcy of a company was considered as the bankruptcy of the owner, which was the main motive for signing the Limited Liability Law.

The application of company management is not specific to the European Union, so there are one or two management systems. Countries including France, Spain, Switzerland and Italy use one board system, while countries including Germany, Sweden, Austria and the Netherlands use two board systems. In this type of corporate governance, the managerial function is considered to be separate from the supervisory function. So to speak; managers are responsible only for providing advice to directors; however they are not responsible for the management company.

Conclusion. Our study presented an analysis of the literature in the field of corporate governance and its development, consideration of the concept of corporate governance and its application, as well as its development in Uzbekistan.

Important steps taken to develop corporate governance principles are also mentioned and corporate governance legislation is discussed in detail.

This, in turn, will help maintain Uzbekistan's strong position among economically developed countries.

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