

SCIENTIFIC APPROACHES TO THE ANALYSIS OF THE STAGES OF DEVELOPMENT OF CORPORATE GOVERNANCE IN THE REPUBLIC OF UZBEKISTAN

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Abstract: *The strategy of actions for the further development of the Republic of Uzbekistan specifically defines the issue of "implementation of modern standards and methods of corporate governance, strengthening the role of shareholders in the strategic management of enterprises." In this regard, priority attention is paid to such aspects as increasing the efficiency of the corporate governance system, ensuring disclosure of information and transparency of activities in joint-stock companies, protecting the rights of shareholders, including minority shareholders. It should be noted here that these aspects are of particular importance in ensuring the investment attractiveness of joint-stock companies in our country.*

Key words: *gross domestic product, corporate governance, joint stock company, limited liability company, principles, diversification, corporate code, strategic management, export and sectors.*

Introduction

During the past period, within the framework of the Action Strategy for the five priority areas of development of our country in 2017-2021, about 300 laws and more than 4 thousand decrees of the President of the Republic of Uzbekistan aimed at the fundamental reform of all spheres of state and community life were adopted.

Also, systematic work was carried out to ensure human rights, strengthen accountability and openness of state bodies, and increase the role of civil society institutions, mass media, and political activity of population and public associations.

Based on the in-depth analysis of complex global processes and the results of our country's progress, in the following years, based on the principle of "For human dignity", we will further increase the well-being of our people, transform economic sectors and rapidly develop entrepreneurship, unconditionally ensure human rights and interests, and aimed at forming an active civil society.

It is no exaggeration to say that in the countries where the directions of socio-economic development have been determined, taking into account the laws of the market, attention is constantly paid to the practice of corporate management. For this reason, this issue has not escaped the attention of international economic organizations. In particular, in the "Doing Business" reports published annually by the World Bank Group, the protection of the rights of minority investors is analyzed and ranked in individual countries as an important factor affecting the conduct of business. Also, the re-announcement of the "Principles of Corporate Governance" by the Organization for Economic Cooperation and Development in 2015 based on the current real conditions shows how important corporate governance practice is for the national and world economy. In order to ensure economic development, a number of reforms are being carried out in order to effectively organize the activities of corporate structures, in particular joint-stock companies. In the Action Strategy for the further development of the Republic of Uzbekistan in 2017-2021, the issue of "introducing modern standards and methods of corporate management, strengthening the role of shareholders in the strategic management of enterprises" was specifically defined. In this regard, priority attention is paid to aspects such as improving the efficiency of the corporate management system, providing information disclosure and transparency of activities in joint-stock companies, and protecting the rights of shareholders, including minority shareholders. It should be noted here that the mentioned aspects are of particular importance in ensuring the investment attractiveness of joint-stock companies in our country.

Today, one of the concepts widely used in the world is undoubtedly the concept of corporate management. "Corporate governance already exists, and the term is new." This is caused by the role of large joint-stock companies, transnational corporations, etc. in the national and world economy, whose activities are effectively organized by corporate management bodies. Based on this, in almost all countries of the world, especially in our country, serious attention is being paid to the issue of effective organization of the corporate management system. Due to the mentioned aspects, it is desirable to understand the economic nature of corporate management, its goals and tasks. The economic essence of corporate governance has been studied for many years, and one can witness the diversity of opinions of researchers in this regard.

From the point of view of interrelationship, the corporate governance structure determines the distribution of rights and obligations between various participants in the organization. In this, decision-making processes and procedures are determined between shareholders, board members, managers and other stakeholders.

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 head of our state touched upon 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 the establishment of joint-stock companies around the world and the management of work in a corporate manner. At the time when it was found to be the main method, he emphasized that the work being carried out in this regard is not satisfactory, and that there are still a lot of 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 thorough knowledge of the field and who can apply modern management and marketing methods in practice.

Analysis of literature on the topic

Today, an effective corporate governance system is considered a decisive factor in making investment decisions, 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 global 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.

In the studies of the economist A. Berle, who conducted research on corporate management (The Modern Corporation and Private Property - a collection of researches), the issues of choosing a strategy in the management of corporations and developing enterprise management, managing investment activities were studied. 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." According to Sir Adrian Cadber, the author of the Corporate Governance Code (1992), which contains proposals for reforming the corporate governance system, corporate governance (from the English word Corporate Governance) is the management and control of the company's activities. This is a system that provides an increase.

According to the research of an uzbek scientist, professor, doctor of economic sciences D. Suyunov "Corporate management is a set of actions to achieve the company's goal based on the applicable norms protecting the rights and interests of the owners of entities that are part of the corporate property form, as well as certain principles of management."

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 were drawn as a final conclusion through the method of induction. Statistics have been widely used to compare financial and non-financial data. 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. The data was analyzed through the open portal of the Statistical Office of the Republic of Uzbekistan.

Analysis and results

In 1815, the development of the form of corporations reached a high speed in the business experience of Jaxon. At the beginning of the 19th century, based on the European experience, corporations began to be established in North America as well. During this period, hundreds of corporations were established in various sectors, and banks became an active participant in investment activities. If the countries want to use the opportunities of the global capital market of the world economy and attract "Sustainable" capital, it is necessary to understand from all sides that corporate governance is well established in JSC.

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, should serve to ensure 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 implemented the reform program as a result, significant changes were made to the country's

corporate management system. However, despite recent developments and improvements in corporate governance, we do not know whether corporate governance practices are in line with global corporate governance principles. Information on the (annual) indicators of the number of enterprises and organizations operating in the Republic of Uzbekistan today can be obtained through the open portal. Through this, it is possible to know the level of corporate management and the involvement of investors in Uzbekistan.

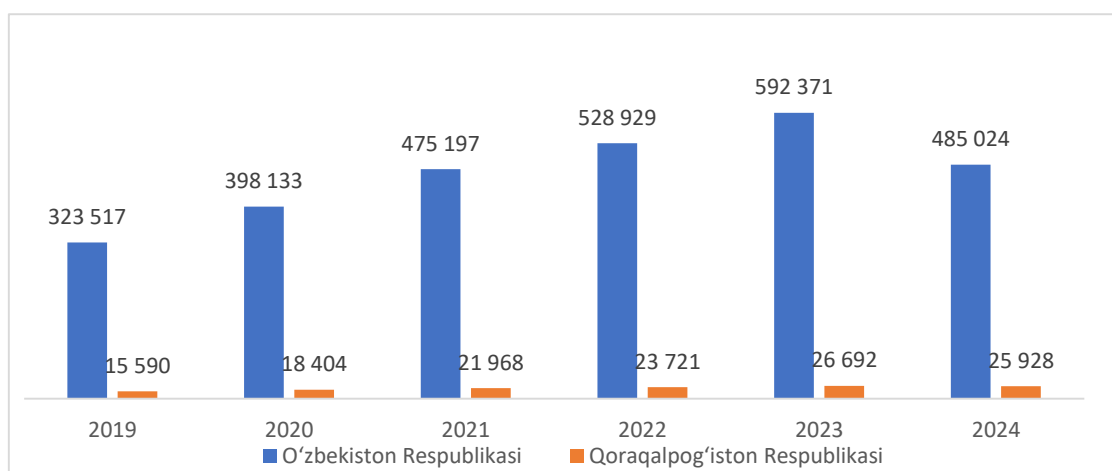


Diagram 1. At the national level

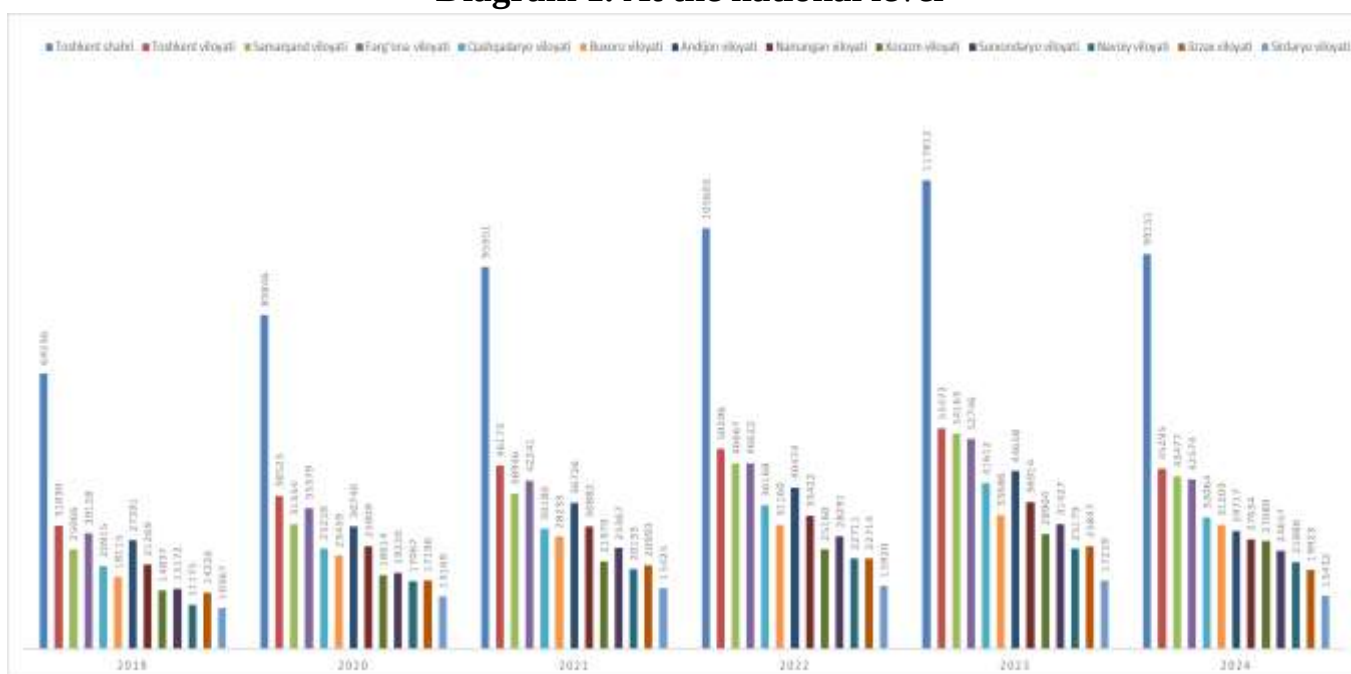


Diagram 2. On the scale of regions

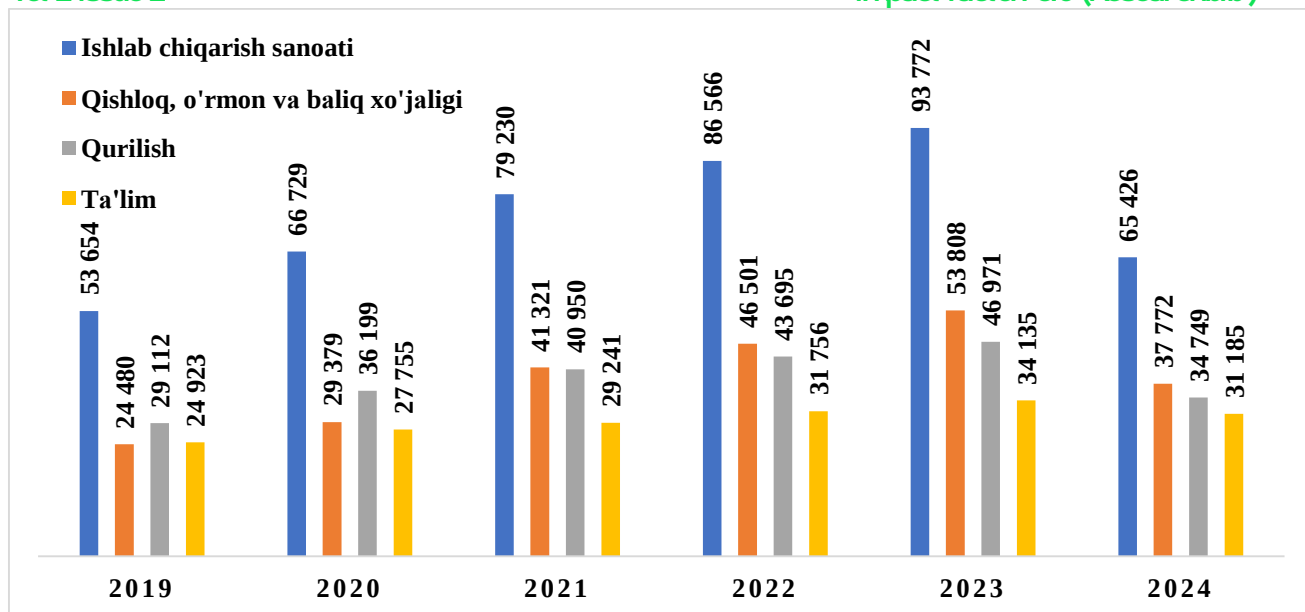


Diagram 3. According to the directions of activity

As of January 1, 2024, the number of operating enterprises and organizations amounted to 485 thousand (non-agricultural and peasant farms), including small enterprises and microfirms 417.1 thousand units. The highest figure was recorded in Tashkent.(99,151), Tashkent (45,295), Samarkand (43,477), Fergana (42,574), Kashkadarya (33,064), Bukhara (31,203) and Andijan (29,717).

By types of economic activity, the largest number of operating enterprises and organizations, trade accounts - 158,065, industry - 69,444, agriculture, forestry and fisheries - 37,772, construction - 34,749 and accommodation and catering services - 28,364 .

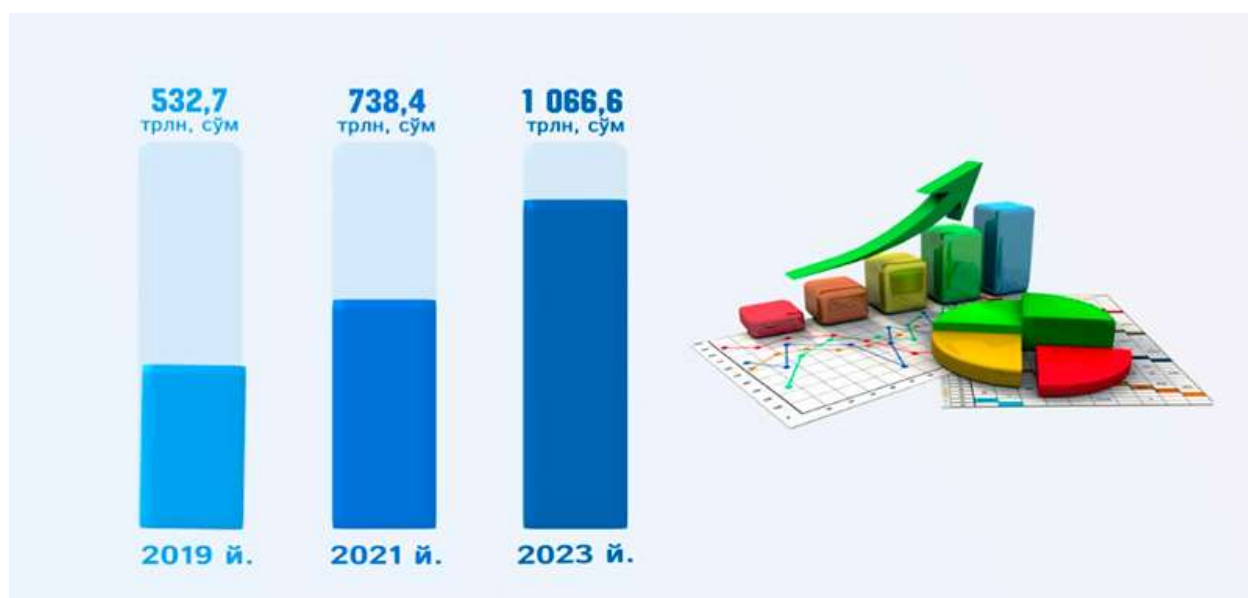
For January-December 2023, 88,800 new enterprises and organizations, including small enterprises and micro-firms, made up 86,000.

As of January 1, 2024, the number of operating enterprises with foreign capital was 14,053. 4657 of them are joint ventures, foreign enterprises - 9396.

The gross domestic product of Uzbekistan, the country with the largest population in the region, amounted to 80.4 billion dollars in 2022. GDP growth was 5.1 percent in the first half of 2023, and 4.5 percent growth was forecast for the year and next years.

In January-December 2023, enterprises of the republic produced industrial products worth 655.8 trillion soums, the rate of industrial production amounted to 106.0 percent of the corresponding period last year.

The share of the total industrial production is 184.4%, manufacturing, mining and quarrying – 8.4%, electricity supply, gas, steam and air purification – 6.7%,



water supply, sewerage, waste collection and disposal – 0.5%.

Diagram 4. Gross domestic product

The main factors behind the growth of industrial production were the increase in production volumes at enterprises by 6.7%, mining at enterprises by 1.0%, electricity supply at enterprises, gas supply at enterprises, steam supply and air conditioning - by 9.7% compared to the same period last year and water supply, sewerage, waste collection and disposal - by 1.0%. A significant impact on the change in production volumes is exerted by food production enterprises (106.2% compared to January-December 2022), as well as textile enterprises (106.4%). At the same time, production volumes decreased at enterprises producing computing equipment, electronic and optical products (by 72.7% compared to the same period last year), at enterprises producing chemical products (by 98.0%). Compared with the same period last year, the growth rate of consumer goods production was 107.3

percent, and the share in the total volume of industrial production reached 28.8 percent. In the production of consumer goods, the share of food products was 37.4%, non-food products - 62.6%. At the same time, compared to the corresponding period



of 2022, the growth rate of food products was 106.2 percent, and the growth rate of non-food products was 107.8 percent.

Diagram 5. Dynamics of gross domestic product (billion soums)

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. preventing the secret writing of uncertificated documents;
2. providing a mechanism for obtaining documents;
3. disseminating the principles of openness and transparency;

4. controlling the procedure for acquiring more than 30 percent of common shares and developing strict rules and procedures for purchasing through clarification;
5. modernizing the current procedure for creating and treating sick people.
6. clarifying the formation of the process by managers;
7. models for distributing the management functions of a collegial or sole body and
- implementing the principle of variability in relation to central management;
8. improving the mechanism for resolving disputes within the corporation.

Table 1. Europe and Central Asia country economic growth 2020-2025

	2020	2021	2022	2023 ^f	2024 ^f	2025 ^f	Percentage point differences from June 2023 projections		
							2023 ^f	2024 ^f	2025 ^f
Albania	-3.3	8.9	4.8	3.6	3.2	3.2	0.8	-0.1	-0.1
Armenia	-7.2	5.8	12.6	6.6	4.1	4.5	2.2	-0.7	-0.5
Azerbaijan	-4.3	5.6	4.6	1.5	2.4	2.5	-0.7	-0.1	-0.1
Belarus	-0.7	2.4	-4.7	3.0	0.8	0.7	2.4	-0.6	-0.6
Bosnia and Herzegovina	-3.3	7.1	4.0	2.2	2.8	3.4	-0.3	-0.2	-0.1
Bulgaria	-4.0	7.6	3.4	1.4	2.7	3.3	-0.1	-0.1	0.3
Croatia	-8.5	13.1	6.2	2.7	2.5	3.0	0.8	-0.6	-0.3
Georgia	-6.8	10.5	10.1	5.9	4.8	4.5	1.5	-0.2	-0.5
Kazakhstan	-2.5	4.3	3.2	4.5	4.3	4.5	1.0	0.3	0.9
Kosovo	-5.3	10.7	3.5	3.2	3.9	4.0	-0.5	-0.5	-0.2
Kyrgyz Republic	-7.1	5.5	6.3	3.5	4.0	4.0	0.0	0.0	0.0
Moldova	-7.4	13.9	-5.0	1.8	4.2	4.1	0.0	0.0	0.0
Montenegro	-15.3	13.0	6.4	4.8	3.2	3.1	1.5	0.1	0.2
North Macedonia	-4.7	3.9	2.1	1.8	2.5	2.9	-0.6	-0.2	0.0
Poland	-2.0	6.9	5.1	0.7	2.6	3.4	0.0	0.0	0.2
Romania	-3.7	5.8	4.7	1.8	3.7	3.9	-0.8	-0.2	-0.2
Russian Federation	-2.7	5.6	-2.1	1.6	1.3	0.9	1.8	0.1	0.1
Serbia	-0.9	7.5	2.3	2.0	3.0	3.8	-0.3	0.0	0.1
Tajikistan	4.4	9.4	8.0	6.5	5.0	4.5	0.0	0.0	0.0
Türkiye	1.9	11.4	5.5	4.2	3.1	3.9	1.0	-1.2	-0.2
Ukraine	-3.8	3.4	-29.1	3.5	4.0	6.5	1.5	0.5	0.0
Uzbekistan	2.0	7.4	5.7	5.5	5.6	5.8	0.4	0.2	0.0

Source: World Bank.

Note: GDP and expenditure components are measured in average 2010–19 prices and market exchange rates. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, the projections presented here may differ from those contained in other World Bank documents, even if basic assessments of countries' prospects do not differ at any given moment in time. Due to lack of reliable data of adequate quality, the World Bank is currently not publishing economic output, income, or growth data for Turkmenistan, and Turkmenistan is excluded from cross-country macroeconomic aggregates. f = forecast; GDP = gross domestic product.

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.

From the first years of independence of our country, serious attention was paid to issues of privatization and development of business activities in order to increase the competitiveness of local producers at the international level by effectively organizing their activities, and to increase the standard of living and well-being of the population by forming a class of owners. Legal frameworks were created in order to effectively organize the activities of corporate structures, in particular, joint-stock companies, limited liability companies. The initial stage of corporate governance practice in Uzbekistan was in the 1990s. During this period, various approaches related to the privatization of state property were studied and ways of privatization suitable for the conditions of Uzbekistan were developed.

Currently, the code of corporate governance has been developed in all joint-stock companies in our republic and put into practice after approval by the general meeting of shareholders. The Decree of the President of the Republic of Uzbekistan No. PF-6096 dated October 27, 2020 "On measures to accelerate the reform of state-owned enterprises and privatization of state assets" was adopted. According to it, the list of enterprises with state participation, where corporate management and financial audit will be introduced, operational efficiency will be increased, was approved. In 39 corporate structures included in the list, by July 1, 2021, the issues of conducting an audit of procurement and management systems and introducing a modern corporate management system, which provides for the formation of a "compliance system" (compliance) and anti-corruption services, were determined.

Conclusions and suggestions

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.

In recent years, systematic reforms have been implemented in our country in order to create a favorable investment environment and protect the rights and legal interests of private property owners.

At the same time, the delay in the transition to market mechanisms in some sectors and large enterprises, where the state share is preserved, is the introduction of new types of competitive products, the introduction of advanced technologies, the increase of labor productivity, and the active involvement of private capital.

Sufficient conditions have been created in Uzbekistan for the effective functioning of the corporate management system by joint-stock companies that fully comply with the principles of IXXT, as well as for the effective implementation of corporate management. Taking this into account, we have developed recommendations and suggestions, and we believe that for further improvement the following measures should be implemented .

➤ **Greater** use of financial mechanisms to support exports. In particular, encouraging the purchase of national goods in foreign markets through loans and establishing the necessary institutional foundations for this. This refers to implementing export-import banking functions in various countries.

➤ Effective use of international settlement forms to ensure the continuity of payments for the foreign economic activities of real-sector enterprises. A significant portion of enterprises' settlements on export-import contracts is carried out through covered letters of credit. However, commission payments for reserve letters of credit

are borne by the client, which increases the cost of imported equipment and machinery for manufacturers undergoing modernization.

➤ Clause 11 of the General Provisions section of the Code of Corporate Governance of the Republic of Uzbekistan states: "If it is impossible to comply with certain recommendations of this code, a joint-stock company (JSC), following the international principle of 'comply or explain,' must provide a detailed explanation of the reasons and ensure full compliance where possible."

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.

Klassifikator	2019	2020	2021	2022	2023
Rossiya	2 531 871	1 485 755	2 088 237	3 151 098	3 495 676
Xitoy	2 528 750	1 937 053	2 529 091	2 631 998	2 486 557
Qozog'iston	1 392 965	908 420	1 178 377	1 407 548	1 417 054
Turkiya	1 217 633	1 018 993	1 692 380	1 643 453	1 263 332
Afg'oniston	616 960	776 738	667 484	756 282	857 237
Qirg'iziston	669 643	760 459	792 044	982 539	634 437
Tojikiston	327 557	405 124	501 902	522 118	608 300
Fransiya	214 744	89 716	21 285	72 617	400 443
BAA	152 578	102 696	55 885	122 933	298 351
Pokiston	97 937	98 552	130 072	185 157	269 268
AQSH	36 649	28 496	60 794	124 481	253 118
Buyuk Britaniya	105 715	34 229	79 598	114 269	181 987
Eron	219 908	141 751	177 090	139 820	180 779
Turkmaniston	144 332	126 069	191 886	196 987	171 635
Litva	25 261	36 196	66 727	94 198	144 493
Ozarbayjon	52 166	54 228	75 997	133 750	133 393

Table 2. Export volume

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