

## CORPORATE GOVERNANCE

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"Sanoat iqtisodiyoti va menejmenti" kafedra  
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### ABSTRACT

Today, the topic of corporate governance has become vital for the most researches and scientific controversies. The corporate governance is now playing a key role in economic and social development of a country, and it has begun to significantly matter for both industrialized and most of the developing countries. In the meantime, little is known for the world community about the state and problems of corporate governance in Uzbekistan.

### ANNOTATSIYA

Bugungi kunda korporativ boshqaruv mavzusi ko'plab tadqiqotlar va ilmiy tadqiqotlar uchun muhim ahamiyatga ega. Korporativ boshqaruv iqtisodiy va ijtimoiy sohada muhim rol o'ynaydi, mamlakatning rivojlanishi uchun zarur. U sanoatlashgan va rivojlangan mamlakatlarda muhim ahamiyat kasb eta boshladi. Rivojlanayotgan mamlakatlarning aksariyati ayni paytda, dunyo hamjamiyatiga korporativ boshqaruv haqida juda kam narsalar ma'lum.

### АННОТАЦИЯ

Сегодня тема корпоративного управления является предметом многих исследований и научных исследований. Важно для исследования. Экономика корпоративного управления и играет важную роль в социальной сфере, она необходима для развития страны. Она важно для промышленно развитых и развитых стран начал большинство развивающихся стран мира. Общественность очень мало знает о корпоративном управлении.

Today, the topic of corporate governance has become vital for the most researches and scientific controversies. The corporate governance is now playing a key role in

economic and social development of a country, and it has begun to significantly matter for both industrialized and most of the developing countries. Year by year there increase a number of researches, books and papers on corporate governance problems which call upon to improve the state of corporate governance in the jurisdictions or in the world as a whole, and to bring it to the generally accepted international standards and principles. Corporate governance plays a crucial role in ensuring the integrity, transparency, and accountability of companies. It encompasses the principles, processes, and practices that guide the way a company is directed and controlled. The basic principle of corporate governance is to ensure the fulfillment of the company's responsibility to its stakeholders. This means that corporate governance aims to protect the interests of shareholders, employees, customers, suppliers, and the community at large. Corporate governance sets the framework for effective decision-making and establishes mechanisms to mitigate agency problems that may arise between shareholders and management, creditors and shareholders, and majority shareholders and minority shareholders. One of the key elements of corporate governance is the internal corporate governance structure, which includes the board of directors and audit committee. These mechanisms provide oversight and control over management decisions and actions, ensuring that they are in line with the company's objectives and interests of stakeholders. Corporate governance is not just a theoretical concept; it has real implications for the overall performance and success of companies. Research has shown that companies with good corporate governance practices tend to perform better financially, have higher market valuations, and attract more investors. Furthermore, corporate governance is essential for the development of a company. If the concept of corporate governance ignores the restrictions on the desire for personal gain and fails to uphold principles of integrity and responsibility, it can lead to significant consequences such as financial fraud, poor decision-making, and reputational damage. Corporate governance also plays a crucial role in promoting corporate social responsibility. By establishing mechanisms that ensure the company is accountable to its stakeholders, corporate governance can improve the business performance and enhance the company's social responsibility. Overall, Corporate governance serves as a crucial framework for companies to operate ethically, effectively, and responsibly. Corporate governance is a system of practices that guide the way a company is directed and controlled. It encompasses the responsibilities of directors to act in the best interest of the company and its stakeholders, as well as mechanisms to ensure transparency, accountability, and performance effectiveness. Corporate governance is a fundamental aspect of any company's operations as it sets the guidelines and mechanisms for effective decision-making, accountability, and performance effectiveness.

Over the last years in Uzbekistan, along with other world countries, the corporate governance has become a popular area of discussion, a great number of works on corporate governance have been done. The Uzbek researchers and scientists do not stand aside either when defining the corporate governance. The first scientist who defined and reviewed the corporate governance was T. Madiyorov (1993) stating that the corporate governance is carried out in balance with development of production activity, rational use of existing material, financial and human resources, attraction of capital and new technology. A scientist A.Zohidov (2004), in his researches, proposed to define the corporate governance as the management system ensuring the priority of shareholders' interest in combination with increasing the company performance. Another Uzbek scientist B.Berkinov (2005) has specified the corporate governance system. According to him "Corporate governance system is a complex and rapidly changing mechanism which includes many interrelated constituents, including a set of legislative, subordinate regulatory as well as internal standard acts which are the corporation's internal mechanism of control by owners, managers and creditors. One Uzbek author M.Vohidov (2007) has formed the definition to corporate governance from the legal point of view. He defines the corporate governance as the managerial activity of the company managers directed at ensuring the shareholders to participate in company governance, and held for the interests of shareholders in earning profit out of their shares, and posits that all stakeholders as creditors, company employees and partners as well as the society as a whole (customers) can and must take part in the corporate governance. Economics scientists as Sh.Zaynutdinov and D.Rakhimova (2007) in their book mention the definition by that the corporate governance is a joint activity of the stakeholders with a view to make profit. The definition for corporate governance given by another economics scientist M.Khamidulin (2007) also deserves attention, according to which the corporate governance is a conscious, direct participation of corporation's proprietor in ensuring by them the regular real influence on determination, formulation and making of strategically important decisions aimed at capital accumulation for corporation, most effective use of capital with the purpose of making profits and equitable distribution of an income earned between the parties of the corporate relations. Another definition which is worthy to note is the one originated by the researches of the economics scientist D.Suyunov (2008), according to whom the corporate governance is a complex of the effective standards which protect the rights of the entities in the form of corporate property and the actions made for goal achievement of the enterprise on the basis of definite governance principles. The corporate governance framework of Uzbek companies has been improved for many years in accordance with national legislation and taking into account the international practice. We visually bring the typical corporate governance framework

which is applied in almost all joint-stock companies (exception may be banks and other financial organizations) operating in the territory of Uzbekistan in the following figure. According to the current Law (the Law on Joint-Stock Companies and Protection of Shareholders' Rights is implied) in Uzbekistan, the General Meeting of Shareholders, Supervisory Board and Executive Body are the governing bodies of the joint-stock company (hereinafter "company").

According to the Uzbek Company Law the size of Supervisory Board of a company is determined by the Articles of Association or by the decision of the General Meeting of Shareholders. For the joint-stock company with a number of shareholders of:

- more than 500 - not less than 7 members,
- more than 1,000- not less than 9 members.

According to the German Company Act the Supervisory Board normally consists of three members. The Articles of Association may provide for a specified higher number and such number shall be divisible by three. The maximum number of members of the Supervisory Board for companies with a share capital of:

- up to 1,500,000 euros -9 members,
- more than 1,500,000 euros - 15 members,
- more than 10,000,000 euros – 21 members.

Is it evident that in contrast to German practice, the size of Uzbek Supervisory Boards is related to the number of shareholders of a company but not to the size of share capital. However, it is not a limitation for board size in Uzbek companies and the General Meeting of Shareholders, in the frame decide on how many members the Supervisory Board should have in their company and board size, if necessary.

Conclusion. In Uzbekistan, as developing country with transition market economy, the corporate governance reforms is yet underway and still needs to be further developed. Moreover, we have accepted the fact that the present urgent problem for national corporate legislation in Uzbekistan is to bring closer and to adapt them to the global corporate governance standards. We became evident from the literature review that only a few books and papers have been written in English on corporate governance in Uzbekistan. Therefore, it is not exception that a little is known about it in the world scientific community. But we think that these researches are not sufficient to study entirely the Uzbek corporate governance system. So, the more international researches and publications should be addressed on the corporate governance problems in Uzbekistan and on what aspects of Uzbek corporate governance still needs to be improved.

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