ORIGINAL ARTICLE

INTERNATIONAL JOURNAL OF ARTIFICIAL INTELLIGENCE

ISSN: 2692-5206, Impact Factor: 12,23
American Academic publishers, volume 05, issue 06,2025

Journal: https://www.academicpublishers.org/journals/index.php/ijai

IMPLEMENTATION AND DEVELOPMENT OF THE CORPORATE GOVERNANCE SYSTEM IN UZBEKISTAN

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Abstract: This article aims to introduce a corporate governance system to Uzbek joint-stock companies, analyze the compliance of the current corporate governance with global principles, and further improve the national corporate governance system in accordance with the corporate code in the context of economic diversification, based on recent changes and the implementation of the current reform program, as well as develop proposals and recommendations on corporate governance in the activities of joint-stock companies.
Keywords: joint-stock company, limited liability company, principles, diversification, corporate code, strategic management.

Introduction.
Currently, there is a rapid development in the field of corporate governance worldwide. It is no secret to anyone that the main goal of the economic reforms being implemented in our country is to further accelerate economic activity on the basis of property diversification, to transfer property from state ownership to the non-state sector, and thereby to create various self-governing private economic units . The success of such economic reforms being implemented in our country largely depends on the effective remobilization of property taken out of state ownership, the establishment of joint ventures, the transformation of enterprises into joint-stock companies, and especially the development of small and private entrepreneurship. On this basis, special attention is paid to the organization of corporately managed units of the economy by transforming most state-owned enterprises and organizations into joint-stock companies.
are clearly visible in the measures being taken to liberalize the economy, introduce market principles of management in sectors, 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, and factors such as a sharp decline in demand in the markets, instability of the economic situation, and a slowdown in investment activity are negatively affecting the economies of many countries .
Indeed, in recent years, priority has been given to laying the foundation for completely new sectors of the economy, especially the modernization of their management methods. The “Development Strategy” of New Uzbekistan for 2022-2026, designed by the President of the Republic of Uzbekistan Sh. Mirziyoyev, is important in terms of the strategy for the development and effective management of joint-stock companies . The Head of our state, speaking at the meeting, emphasized that our radical change in the principles and approaches to the corporate governance system has made a great contribution to ensuring its compliance with real market relations and abandoning conservative views, but at a time when the establishment of joint-stock companies and corporate management are considered the main method in the world, the work being carried out in this regard is not satisfactory, and there are still many tasks

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that need to be completed. It was noted 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 the issues of attracting young specialists who have thorough knowledge of the industry and can apply modern management and marketing methods in practice are especially relevant.

Analysis of literature on the topic.

At the same time, a deep analysis of the development path our country has taken, the fact that today's world market conditions are changing dramatically and competition is intensifying in the context of globalization, requires the development and implementation of a completely new approach and principles for the more stable and rapid development of our country.

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-fledged market participant, 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.

According to the Corporate Governance Code of the Republic of Uzbekistan, Corporate governance is a system of mutual relations between the executive body of a joint-stock company, its supervisory board, shareholders, representatives of the labor team and other interested parties, including creditors, aimed at effectively organizing, modernizing, technically and technologically re- equipping production facilities, producing competitive products and exporting them to foreign markets in order to achieve a balance of interests. The studies of the economist A. Berlin, who conducted research on corporate governance, examined the issues of choosing a strategy in managing corporations and developing enterprise management, and managing investment activities. In the studies of M. Hessel, "Corporate governance is the mutual relations of owners and other interested parties related to the assessment and control of the activities of the enterprise ." According to the report of 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 a system that ensures the implementation of management and control of a company's activities. In the Republic of Uzbekistan , a number of scientists Sh. Zainutdinov, D. Suyunov, B. Berkinov, M. Khamidulin, N. Rasulov have also studied the theoretical and methodological foundations of some aspects of the corporate governance system. In particular, in the research conducted by MB Khamidulin on corporate governance, Corporate governance is a conscious, direct participation of the owners of a corporation in determining, defining and making strategically important decisions aimed at forming the corporation's capital, more effective use of it for the purpose of obtaining profit, and a fair distribution of the income received among all participants in corporate relations . According to another of our economists, DX Suyunov, "Corporate governance is a set of actions taken to achieve the company's goals based on the current standards that protect the rights and interests of the owners of entities included in the corporate form of property, as well as certain principles of management." The economic essence of corporate governance has been studied for many years, and one can witness the diversity of researchers' views on this issue. "Corporate governance is the conscious, direct participation of the owners of a corporation in ensuring a constant and real influence on the formation of corporate capital, its more effective use in order to obtain benefits, and the fair distribution of the income received among all participants in corporate relations," it is explained. Corporations

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as an organizational legal form are not widely used in all countries, including Uzbekistan. In this context, corporations, companies, joint-stock companies, limited liability companies, etc. are represented by the concept of corporate structure, encompassing corporations. The theoretical and methodological foundations of some aspects of the corporate governance system have been studied by the above-mentioned and other scholars. However, it is clear that the issue of implementing the corporate governance system in joint-stock companies has not been covered and there is not enough research to improve the effectiveness of corporate governance in our republic .

Research methodology.

Various methods were used in the process of conducting research on this scientific work. Data collection, sorting, and subtraction methods were used. The results obtained as a result of the study were drawn up as a final conclusion using the induction method. Statistics were 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 analysis method in conducting scientific research. The synthesis method was used to calculate the generalization of the discussion.

Analysis and results.

Extensive research and studies show that large amounts of funds are being allocated from the republican budget to further deepen structural reforms in the economy, further revitalize the investment activities of enterprises, widely attract and effectively use foreign investments, primarily foreign direct investments, modernize production, carry out technical and technological re-equipment, create new jobs and, on this basis, ensure the stable and rapid development of our national economy. Corporate governance reform should create a favorable environment for attracting foreign direct investments, increase company efficiency, increase the openness and transparency of the activities of providing institutions in joint-stock companies, demonstrate their attractiveness to potential investors, including foreign partners, introduce modern methods of corporate governance, strengthen the role of shareholders in corporate governance, strategic management, and ensure sustainable growth of the company's economy.

Today, Uzbekistan, one of the independent Central Asian states, has led the way in reforming and improving its corporate governance system, and as a result of the implementation of the reform program, significant changes have been made to the country's corporate governance system. However, despite recent changes and improvements in the field of corporate governance, we do not know whether corporate governance practices are implemented in accordance with global principles of corporate governance. It should be noted that, although corporate governance reforms are being implemented in Uzbekistan at an accelerated pace, a number of unresolved problems have emerged in the corporate governance system. The most important problem is joint-stock companies in which the state is the main shareholder . The need to further develop corporate governance is associated with the possibility of achieving positive results with its help:

- increasing the investment attractiveness of the company;
- attracting investors willing to invest financial resources for the long term;
- increase operational efficiency;
- reduce the costs of obtaining bank loans;
- increase the market value of the enterprise;
- facilitating access to capital markets;

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•improve the company's reputation and image.
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 structures can expect to receive an additional premium on the price of their shares, the amount of which varies from 20% to 50%.
Currently, the main tasks of improving corporate governance practices of Uzbek companies are:
•dissemination of international experience;
•Active participation in the regulatory and legal regulation of the protection of the rights and interests of owners;
•focus on attracting investment.
To this end, it is advisable to carry out a number of activities in the following areas:
1. formation of an effective mechanism to prevent the illegal write-off of uncertified securities;
2. Disseminate the principle of transparency and openness;
3. develop strict rules and procedures for corporate acquisitions by formulating and clarifying the procedure for acquiring more than 30 percent of common shares;
4. Modernize the current procedure for the establishment and liquidation of legal entities;
5. clarify the process of forming 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 individual body;
7. Improving the mechanism for resolving conflicts within the corporation.
Today, it can be argued that work is being carried out gradually on the implementation of these measures. In particular, it is worth noting the adoption of a new Corporate Governance Code in 2019. According to the country's leadership, this will increase investor confidence in the domestic stock market and increase the efficiency of organizations. Most of the changes in the approved Code are aimed at state-owned companies and relate to:
1. prevent the artificial distribution of control functions in a corporation;
2. except in cases where shareholders receive other income from the organization, other than dividends or liquidation value;
3. transfer the function of electing or terminating executive bodies to the board of directors;
4. Attracting independent individuals to participate in the board of directors in a ratio of 1: 3. Thus, corporate governance is of particular importance in modern conditions. Every self-respecting company is obliged to form an effective management system based on the scientific method and innovative technologies. This allows not only to achieve positive results within the corporation, but also to reach the international level, increase production and management efficiency. In a special document approved in 1999 by the Organization for Economic Cooperation and Development (OECD), uniting a group of countries with developed market economies, it is stated that “one of the important elements of increasing economic efficiency is corporate governance, including the complex of relations between the management (management, administration) of the company, its board of directors (supervisory board), shareholders and other interested parties (stakeholders). Also, corporate governance determines the mechanisms for formulating the goals of the company, the means of achieving them, and control over its activities. "The specific characteristics of a corporate governance system are largely determined by general economic factors, government policy, the level of competition, the specifics 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. The characteristics of an effective corporate governance system, as defined by the World Bank, are:

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1) transparency of financial and other business information about the company's activities, the process and results of monitoring the activities of managers;
2) protect and ensure the rights and interests of all shareholders;
3) independence of the corporation's directors in determining strategy, approving business plans, making other important decisions, and, if necessary, appointing, monitoring, and replacing managers;
4) financial flows (profit) and this with together to shareholders payments maximum at the level increase . The international principles of corporate governance are expressed as follows. European Bank for Reconstruction and Development (EBRD) Corporate Practices and Sound Business Conduct Guidelines . This document was prepared in 1997 by the European Bank for Reconstruction and Development in conjunction with Cooper & Laybrand to help companies better understand what aspects are most important to reputable creditors and investors when making investment decisions. In accordance with the EBRD Corporate Practices and Sound Business Conduct Guidelines , companies are recommended to adhere to the following principles in their interactions with stakeholders:
1. Customer interaction:
2. Interaction with employees:
3. Relationships with suppliers :
4. Public Relations:
5. Relations with public authorities and local governments. The company's relations with shareholders are of paramount importance. Therefore, the following recommendations are included in the Code of Good Business Practices: basic principles of corporate governance of European shareholders In 1990, the Confederation of European Shareholders' Associations was established, which included eight national shareholders' associations (Belgium , Great Britain, Germany , the Netherlands, Denmark, Spain, France and Sweden) . The main task of the organization is to represent the interests of individual shareholders in the European Union, protect minority shareholders, ensure the openness of the capital market , increase the value of share capital in European companies, and support corporate governance issues. Based on the five principles of the European Union Cooperation Organization (EUCO), Euroshareholders have developed their own program, the main principles of corporate governance, which reflect a number of recommendations regarding the objectives of the company, voting rights , protection from takeovers, the right to information and the role of the board of directors . Institutional investors play an important role in the development of the shareholder movement , for example, CalPRES (California Public Employees' Retirement System), one of the largest and most active pension funds in the USA . This fund was established in the early 80s and, in addition to operating in the American financial market, invests in foreign companies . The global principles of corporate governance, announced by CalPRES in 1996 , are as follows:
1. Reporting • The Board of Directors or Supervisory Board should be accountable to shareholders; •the Board of Directors should have the opportunity to control management , and investors should have the opportunity to control the Board of Directors; • and management remuneration should be linked to the long-term results of the company's activities .
2. Transparency: •Globally competitive markets depend on the reliability and transparency of information provided by companies; • companies must recognize international accounting standards •; companies must •report to shareholders on their compliance with best practice corporate codes .

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3. Fairness • Companies should respect minority shareholders. They should ensure fair treatment of all shareholders; •one share entitles its holder to one vote at the general meeting .
4. Voting methods and • proxy forms should be clear, concise, and provide adequate information to shareholders; • all votes cast by shareholders in person or by proxy should be officially counted and announced;
5. Best Practice Codes •All markets should develop consistent best practice codes that company management and directors can follow; companies should adhere to the principles set out in the best practice codes; • The basic principles currently used in our Republic are based on internationally recognized standard principles. The management system of a joint-stock company should ensure the implementation of corporate governance principles . Unfortunately, one of the problems that exists today is that the management and managers of most joint-stock companies have not sufficiently studied advanced foreign experience in corporate governance , as well as the lack of a comprehensive approach to this problem by the control and management bodies of the enterprise, which negatively affects cooperation processes . These supervisory and management bodies do not sufficiently take into account the specific aspects of the implementation of joint-stock company management processes . From the above, it follows that today there is no single model of corporate governance that can be applied to all companies in a country. Many developed and transition economies use the option of combining individual parts of different models.
Currently, the national model of corporate governance in Uzbekistan is undergoing 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 are just beginning to take shape. Many issues related to corporate behavior are not within the scope of the law and are not of a legal nature, but of a moral nature. Therefore, it is advisable to develop a code of corporate conduct, taking into account foreign experience and the specifics of the national practice of corporate governance. It should lay the foundation for the formation of ethical standards in the field of corporate governance and corporate culture. This will also contribute to increasing the investment attractiveness of national companies.

Conclusion and suggestions .

Thus, the studied international experience, as well as the established procedure in practice, indicate the need to introduce the institute of corporate advisors into the management bodies of joint-stock companies . The introduction of the institute of corporate advisors will increase the level of legal protection of shareholders of the republic , especially minority shareholders, and will allow for more effective consideration of their legitimate interests in the implementation of the activities of the management bodies of joint-stock companies . The advantage of "best practices in corporate governance" in most countries of the Organization for Economic Cooperation and Development is that they are included in the collection of various codes and recommendations and do not have the status of a legislative and regulatory document . In this case , mechanisms for compliance with these standards (recommendations) based on the rule " disclose information about compliance or explain the reasons for non-compliance" are used. After the large and high-profile corporate scandals of 2001-2002 in the USA, measures were taken to strengthen by law some standards that had previously been considered voluntary . A vivid example of this is the Sarbanes -Oxley Act , adopted in 2002 , which was interpreted differently both in the USA and in Western Europe. On the other hand, there are different opinions regarding the strict reliance on the principle of voluntariness . However, most experts

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believe that advanced corporate governance principles should be implemented on the basis of a combination of efforts by state authorities, investor organizations , financial intermediaries and associations . According to the assessment of the level of compliance of the corporate governance system with the principles of the International Monetary Fund in 27 developing countries , the corporate governance system in Uzbekistan meets the average requirements (medium compliance). The development of corporate governance is also associated with the privatization of state property through the transformation of it into joint-stock companies . As a result of such work, many joint-stock companies have been established in our country . The fact that large enterprises that make a worthy contribution to the growth of our country's gross domestic product operate in the form of joint-stock companies is also an indication of the great importance of developing the field of corporate governance. Masaru Homman, Director of the Tashkent Office of the European Bank for Reconstruction and Development, 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. The implementation of a well-thought-out strategy for the privatization of state property in Uzbekistan and the deep knowledge of managers are important factors in ensuring the success of this process.

1. We have already seen that the construction of a structure of corporate organizations such as a joint-stock company in our country and the establishment of the basic principles and procedure for their activities, legal status, the formation of a complex of corporate law norms regulating the rights and obligations of shareholders and other participants in corporate relations are one of the most important issues of our time. The origin and stages of development of corporate structures cover several periods and are improving from year to year. In the economy of Uzbekistan, mechanisms for improving the activities of corporate governance structures have been created based on the experience of foreign countries and are developing day by day. This can be illustrated 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, financial condition The purpose of conducting a financial analysis of an enterprise based on indicators showing the effectiveness of management activities is to assess the financial results and financial condition of the enterprise achieved and to be achieved in the past, at the time of analysis and in the future through its reports, and to make an economic diagnosis. In this case, the main attention was paid to strengthening the position of corporate structures in a 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. At the same time, the most important thing is: - stabilization of production is ensured. Integrated corporate structures create a positive environment for the integration of technological and cooperative relationships of enterprises. Due to the creation of close relationships between participating enterprises, the scale of production, work and services that are in demand in the market will further increase; - acceleration of the development of scientific research. Integrated corporate structures contribute to the sustainable development of the republic's economy by implementing 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 risks associated with production, improves the financing of long-term research and production cycles, and develops strategic cooperation with foreign firms. The formation and development of integrated corporate structures in the national economy not only increases the strategic competitiveness of

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our national economy, but also helps to overcome the crisis that arises in the financial and production sectors. At the same time, in order to increase the efficiency of the activities of integrated corporate structures, we consider it appropriate: to include not only large enterprises, but also small enterprises in the structure of integrated corporate structures and to organize integral connections between them. It is possible to increase the types and forms of activities of financial organizations in the structure of integrated corporate structures, including, in addition to commercial banks, investment funds, insurance companies, due to which it will be possible to quickly attract and effectively use temporarily free funds and reduce future risks (insurance against negative economic events that occur in various crises) .

4. In order to ensure the effective operation of many enterprises operating in our republic with a corporate governance system, specific measures should be determined to increase the responsibility of the management of joint-stock companies in order to improve the corporate governance system. In this context, it is appropriate to implement the following proposals:

-develop measures to improve the legislative framework of the Republic of Uzbekistan in the field of corporate governance , and improve the activities of corporate structures;

- To introduce the position of corporate advisor at enterprises, which is still new for the corporate governance system of the Republic of Uzbekistan. This position is an employee who ensures regular and effective communication between the owners of a joint-stock company, its executive body and the supervisory board ;

promote the concept of corporate behavior within corporate governance structures , thereby increasing the efficiency of the enterprise;

- ensuring the level of transparency of information in the management process of a joint-stock company, as well as regular reporting by the management bodies of a joint-stock company to shareholders or shareholders;

- ensuring the effective implementation of management information systems development strategies in the activities of corporate structures;

- achieving efficiency in production by introducing a matrix management system of the product life cycle into the practice of corporate structures engaged in the provision of high-quality services and production of products. Thus, from our analysis, we can conclude that sufficient conditions have been created in Uzbekistan for the effective functioning of the corporate governance system by joint-stock companies that fully comply with the principles of the International Monetary Fund, as well as for the effective implementation of corporate governance. However, we have identified some weaknesses in corporate governance in Uzbekistan , where some of the global principles of corporate governance are partially implemented or not implemented at all. Taking this into account, we have developed recommendations and proposals, and we believe that the following measures should be taken for further improvement. Wider use of financial mechanisms for supporting exports . In particular, stimulating the purchase of national goods in foreign markets through loans and creating the necessary institutional foundations for this. In this case, we are talking about the implementation of the functions of export-import banks operating in different countries. Effective use of international settlement forms to ensure the continuity of settlements on foreign economic activities of real sector enterprises. As is known, a significant part of settlements on export-import contracts of enterprises falls on covered letters of credit. At the same time, the fact that commission payments for standby letters of credit are borne by the client is causing an increase in the cost of equipment and supplies imported by manufacturers for modernization. In paragraph 11 of the General Provisions section of the Corporate Governance Code of the

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Republic of Uzbekistan, it is stated that "If it is impossible to comply with some of the recommendations of this Code, the JSC shall disclose its reasons in detail, following the international principle of "comply or explain". In conclusion, the state policy aimed at improving the conditions for doing business, forming a favorable business environment, and the struggle in the current fully competitive environment in the country encourage national firms to modernize and technically re-equip their production in order to achieve quality and price advantages. This will lead to the rapid introduction of innovative technologies and modern scientific achievements into production, as well as diversification of the production structure. A firm that has honed its skills in the competitive struggle in the domestic market will apply its experience in the international market, where competition is even stronger. The more difficult the internal struggle was , the greater the chances of this firm achieving success in the international market. Based on the above, it is necessary to form a fully competitive environment in our republic and modernize production, as well as to further increase the competitiveness of our national products. We believe that it is appropriate to implement these measures to increase

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