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Impact of corporate governance on overall performances of Central Asia companies

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Abstract

Nowadays, corporate governance has become a hot topic for most researchers. Corporate governance currently plays a key role in the economic development of the country. In this regard, this thesis mainly considers the concept of corporate governance and its application, as well as its development and impact on the totality of companies in Central Asia. This paper also briefly discusses the concept of corporate governance and the importance of applying the principles of corporate governance in the activities of companies. This overview of the key definitions is followed by the necessary regulations that have been put in place to improve corporate governance practices in Central Asia. The study also mentions important steps taken to develop corporate governance principles and discusses corporate governance legislation in detail. In addition, the application of corporate governance principles in developed countries, including the United States, Germany, the United Kingdom, and the European Union, is considered. In particular, the key elements of corporate governance structure have been discussed using mainly developed countries in Europe, the US and the UK as examples and related to the principles of developing countries such as Central Asia. In this context, a series of steps to develop corporate governance principles considering various regulations were discussed.

Nowadays in Central Asia, financial management in corporate structures is an effective organization of the system that serves to promote the material well-being of the owners by leveling up the financial stability of the economic unit and in addition, the financial stability of corporate structures, in turn, is the financial system of the country's stability and the population's material well-being. Simultaneously, in developing countries as most in Central Asia, particularly in Uzbekistan, competent financial management systems are organized in corporate structures, and special emphasis is dedicated to development. Because Uzbekistan is still full of extensive promotion of this underdeveloped sector of the economy, the role of corporate structures in the development of the country's economy, and there is still a lot of work and flaws to be done to raise its relevance. As a deduction, as well as the ways for making effective use of this style of organizations management and the structure in the future corporate governance in developed countries economies, must be thoroughly examined.

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CHAPTER I – INTRODUCTION

Corporate governance, which is recognized worldwide, is an effective form of economic development. The experience of corporate governance of countries proves that for competition and entry into world markets, it is necessary, first of all, gradual economic reform, restructuring and deepening diversification, the creation of new enterprises based on high technologies. The process of denationalization and privatization of enterprises, the wide introduction of corporate governance principles in the activities of joint stock companies strengthen the potential of the national economy.

The main goal of the research is to consider the concept of corporate governance, to apply the principles of corporate governance in the activity of companies and firms in Central Asia, to analyze the literature on corporate governance and to discuss the key elements of corporate governance structures on the example of some developed countries.

Corporate governance is we can clarify that as the system used to control and manage a company. At the corporate level, it seeks to allocate responsibilities and powers among shareholders, directors and management. Calder used the term "Holy Trinity" to describe corporate governance, which includes shareholder rights, transparency, and board accountability.

In East and West also in South of Asia and Central Asia the level of economic development is various according to its positions to the end of 2021, for instance, per capita income differs from each other about $1750 in India and China $8840 as most populations in the world, to more than $35,000 in Hong Kong, the higher one is in Singapore as nearly $60,000 expected. The range is from $2450 in Uzbekistan to nearly $12,000 in Kazakhstan. Hence, in a broad sense, corporate governance is non-identical in above mentioned areas and the set of rules, processes and structures by which organizations are governed and controlled diversely. Based on the generalization of existing approaches, corporate governance is understood as an institutionalized as formally and informally system that regulates relations between the main stakeholders of the organization. Corporate governance covers several strategic issues, the solution of which directly affects the effectiveness of the organization's management.

The purpose of the research is the development of theoretical approaches and methodological tools for assessing management performance based on establishing the influencing of corporate governance to Central Asia companies change and the performance of a corporate-type organization. The theoretical and methodological basis of the research is the theory of strategic management, firm economics, principles and postulates of the theory of corporate governance. The role of the governance in the organization is examined through the stakeholder approach, agency theory, firm growth, motivation, and a number of others.

CHAPTER II: THE CONCEPT OF CORPORATE GOVERNANCE

2.1 The Corporate Governance

Corporate governance plays a key role in the organization's activities and is built on the principles of taking into account the interests of all stakeholders, covering the rights and obligations of shareholders, top managers and the board of directors. Compliance with these principles increases the effectiveness of management in the organization and increases the capitalization of the business.

The formation of the Asian and Central Asian model of corporate governance was characterized by a redistribution and an increase in the level of concentration of ownership, then it was linked with the entry of the organization to international financial markets and the construction of a corporate control system that would meet international standards.

Current economic challenges imply a revision of corporate governance guidelines from external to internal development vectors. The search for new mechanisms to improve the performance of management in corporate-type organizations in Central Asia is becoming an urgent research issue. One of the significant figures in corporate governance, ensuring the efficient execution of operational business processes, is the executive body represented by the CEO. He is a subject of management in relation to divisions and employees of the organization and an object of management and control from the position of owners and the board of directors.

The issue of management efficiency is largely related to the personality of the director. The presence of long-term experience, skills and knowledge of the specifics of the business, on the one hand, presuppose that the leader is seriously integrated into the processes of the organization. On the other hand, long-term holding of a leading position can reduce its adaptive and motivational characteristics. Thus, the relevance of the research is due to the need for theoretical comprehension and methodological support for assessing the relationship between the change of the corporate governance and companies, also the effectiveness of management in a corporate-type organization, as well as studying the factors affecting to companies' future and current factors.

In general, there are no studies in Central Asia based on a large body of objective data. However, the model of Asian corporate governance and control has specific features that distinguish it from other models. Therefore, the study of the effectiveness of management and its relationship with the change of the CEO on a full-scale database of Central Asian organizations is an urgent scientific and practical task. The object of the research is the processes of corporate effective control, explaining the performance of the general director in the organization. The theoretical and methodological basis of the research is the theory of strategic management, firm economics and neo-institutional economic theory, principles and postulates of the theory of corporate governance. The role of the CEO in the organization's activities is examined through the prism of the stakeholder approach, agency theory, the theory of higher echelons, firm growth, motivation, and a number of others. The study of the position of the CEO in the corporate governance of an organization is based on an approach based on the principles of classical management, stakeholder theory, and the theory of "agent-principle".

In the Central Asia, corporate governance in the context of the COVID-19 pandemic is transforming in several directions:

1) Due to the decrease in the key rate of the Banks of Central Asia, minority investors prefer to invest in shares.

2) Due to a significant share of state ownership in Asian corporations, the state has an additional source of budget financing. This is due to both the increase in dividend payments and the IPO of a number of state-owned companies.

3) Active attraction of financial resources from stock markets. The main instruments are the IPO and the growth of bond issues.

Thus, corporate governance in Asia and Central Asia is still in a state of intensive improvement. In general, the national economy has unique conditions for studying corporate governance. On the one hand, until recently, corporations had huge management problems. Nevertheless, there has been significant progress in legislation and in the perception of corporate governance issues in the past decades. On the other hand, corporate governance in Central Asia is in sharp contrast to this phenomenon in developed countries. Thus, the functioning of companies in the context of a slowdown in economic growth and the crisis raises a lot of questions for building a corporate governance system. If at the beginning it was about the construction of its basic institutions, now we are talking about the effectiveness of these institutions, the effectiveness of management and organizational efficiency in general.

2.1.1 The Models and Schemes of Corporate Governance

In neoclassical economic theory, an organization is considered as a market agent whose behavior is reduced to the choice of volume, price and structure of attracted resources in order to maximize profits. The theory does not explain intra-firm differences associated with work organization and employee incentives; the firm is viewed as a black box. Assessing the role of a leader is carried out in neoclassical economic theory indirectly. At the heart of agency theory and contract theory is a model of an economic person that rationally maximizes personal benefits. The idea, based on the desire to receive remuneration and avoid punishment, was also argufied in the paradigm of the theory of organization.

However, there are other motivational "human models" that originate in organizational psychology and sociology. Here, the analysis is based on the term "organizational role" - a mechanism for obtaining internal satisfaction through the successful completion of complex work, increased responsibility, authority and recognition due to this. Moreover, the identification of managers with a corporation, especially if they have worked there for a long time, participated in its creation, helps to combine individual self-assessment with corporate prestige.

While agency theory clearly divides interests between managers and owners, organizational sociology notes that managerial motivation is based on their personal perceptions. If the manager feels that his future well-being is associated with the employer (for example, in anticipation of labor or pension rights), he can identify his own and corporate interests even without obvious financial motivation. It is shown that even if the development of an organization does not meet the personal interests of a manager, he can perform work out of a sense of duty. These considerations support the existence of an alternative managerial motivation that can be seen in managerial theory. This theory is related to the overall performance of organizational structures and corporate governance in general. The more complete control is exercised by the general director, the higher the performance results the corporation should get. It is assumed that the director is guided by the interests of the organization and all his efforts are directed to its benefit.

Organizational differences arise from whether the organizational structure is conducive to effective executive action or not. The effectiveness of the organizational structure of management, according to opinion of L. Donaldson, depends on:

1) how much it will meet expectations.

2) how broad and "legalized" are the opportunities for top management.

The head of an organization can be seen as a valuable asset, co-creating a competitive advantage through its commitment to work, adaptability and high-quality work. In human capital theory, the education and experience of workers, including the special skills and talent of managers, are viewed as investments that directly affect the performance of an organization. In such works, the main focus is on comparing the personal qualities of CEOs.

The model of the higher echelons has something in common with the theory of the human capital, as it examines the qualities and characteristics of the leader's personality. It is postulated that when processing a large flow of information, the manager filters and simplifies it in accordance with his values and cognitive characteristics. Since these characteristics are difficult to assess, the theory of the highest echelons examines them through age, sex and other parameters.

In contrast to the concept of human capital, the scapegoat hypothesis / theory is based on agency models. According to this approach, the unsatisfactory performance of the organization may be associated not so much with the quality of management and the efforts of the executive director, but with an unfortunate coincidence of circumstances. In this case, the dismissal of a manager is an indicative act and a signal for the next director, who, in terms of his qualities, does not differ much from the dismissed one. As a result, the new leader begins to put more effort, as a result, the performance of the organization improves. Thus, a person dismissed for poor performance is not a bad leader, but a so-called scapegoat. In the future, the performance indicators of the organization return to its previous level. Management leadership theories have a wide range of research tasks. Three groups of approaches can be broadly identified here: theories of leadership qualities, behavioral and situational theories.

At the end of the 20th century, new leadership theories appeared, based on moral and ethical aspects. If traditional leadership theories are focused on the organization, then research within this group of theories is aimed at changing the person within the organization. From this point of view, the new theories of leadership largely coincide with the approaches of organizational sociology.

The works on corporate governance in later a long time reflect the dominance of the taking after speculations: stakeholder's hypothesis and agency hypothesis. The stakeholder theory is regularly called the hypothesis of the bungle between the interface of the enterprise and the interface of society. Agreeing to this hypothesis, an enterprise incorporates an obligation to its shareholders, but it too has commitments to an assortment of partner bunches. An organization that brings tremendous benefits, presents modern innovations, and frequently determines not as it were financial but moreover political life within the country, is essentially not responsible in its activities and does not take under consideration the interface of shareholders, representatives, shoppers, citizens, little businesses, etc. future era. The quintessence of the hypothesis is that the administration of the company must be beneath the control of all interested parties actualizing the embraced show of corporate relations. Companies have certain commitments not as it were to their proprietors, but too to a more extensive extent of intrigued bunches such as representatives, society, clients, providers and others.

2.1.2 Agency Theory

Agency theory analyzes the instrument of corporate relations through the crystal of office costs. Agreeing to this hypothesis, the interface of the proprietors of capital and the specialists overseeing this capital don't coincide. It can be said that the directors and shareholders of the firm have a common intrigue within the victory of the trade. In any case, this common intrigue does not infer the commonality of the personal interface of each gathering. Despite the official status of a legitimate substance conferred on the company by existing corporate law, a present-day joint stock company is possessed by a tremendous number of individuals, spoken to by as it were a dozen people, acting on behalf of the proprietors. Administration and control within the company is carried out by a multilevel chain of command of supervisors, who may be among the owners. Managers perform an entrepreneurial work, and proprietors, not continuously having the specified proficient abilities, cannot viably utilize capital beneath their claim authority. They perform as if it were the work of providers of capital. The company is essentially controlled by directors. When a company's share capital is overwhelmed by little financial specialists who are not specifically included within the management of the company, there's a danger that company directors who don't feel control by shareholders may utilize the company's assets for their claim purposes. Agency costs - usually the sum of misfortunes for speculators, which is related with the division of possession and control.

2.1.3 Organizational model of the corporate governance system

There are several distinctive hypotheses of corporate governance that emphasize the distinctive interface of all parties. Be that as it may, the center of all definitions is the relationship between the required major bunches, Shareholders, the Board of Executives, Directors and other Stakeholders.

The most members in corporate relations are the proprietors of the enterprise and its managers. As of now famous, within the final two decades in numerous nations, there has been a propensity for the acknowledgment of other interested bunches, such as company workforce, banks, specialists, accomplices, etc., as dynamic members in corporate relations and the corporate administration process.

Shareholders

• High capitalization.

• High benefit of the company and dividends.

• Control the exercises of administration gatherings of shareholders (due to the board of chiefs and the appropriation of the administration report), as well as through the deal of their offers, creating opportunities for a takeover of the company within the occasion of unsuitable administration of the company.

• Of all the participants in corporate relations, they bear the highest risks: non-receipt of dividends, and in the event of bankruptcy of the company - receiving compensation only after the requirements of all other groups of participants are satisfied.

Managers

• The stability of the corporation.

• High level of remuneration.

• High profitability (since the size of the variable part of the remuneration, as usually tied to the company's profits).

• Depends on the shareholders represented by the Board of Directors.

• Are connected and interact with all interested in the activities of the corporation groups (personnel, lenders, customers, suppliers, local authorities, etc.) and should take their interests into account.

Other interest groups:

Creditors

• The stability of the corporation.

• The profitability of the company and guarantees of the return of the funds provided.

• Reduce risks by diversifying their investments among a large number of companies.

Staff

• Stability of the company.

• Job security.

• Interact with and completely depend on management.

Partners (customers, suppliers)

• Stability and stability of the company.

• Solvency.

• Interact with management and personnel.

Regional and local authorities

• Stability of the company.

• Profitability and stability of the company.

• Opportunity for the company to participate in social programs.

• Interact with management.

• Have the ability to influence the activities of the company mainly through local taxes.

Government departments

• Stability of the company.

• Exercise control over the timely payment of taxes and the implementation of actions within the framework of existing legislation.

Civil society

• Interested in the stability of the company.

• Monitors compliance with environmental standards and consumer rights.

Corporate governance could be a kind of umbrella that joins together the relations of all these bunches of members. As appears, the interface of different bunches of members in corporate relations coincide in a few ranges, however, separate in others. The commonality of interface lies within the truth that in a typical circumstance all members in corporate relations are fascinated by the soundness of the presence and productivity of the activities of the company with which they are associated. At the same time, summarizing the interface of the most bunches of members in corporate relations, able to highlight the most contrast between them: which of the members wins and who ought to win when making a choice within the organization in each particular case. The settlement of these issues is settled inside the system of the corporate administration of each company.

2.2 Contribution of corporate governance to the country's economic growth

Nowadays, a number of huge enterprises have reliably ruled financial movement not as it was locally but universally. In this regard, the frameworks of corporate governance utilized in these enterprises too contrast from each other. Considering the case of banks, which play a critical part within the economy of each nation, it can be expressed that their quality and permanent solidness are the foremost imperative focuses that stimulate the intrigued of the common open. Hence, it shows that the point of a successful corporate governance framework is closely related to the developing level of open belief and certainty within the keeping money framework. These, in turn, are considered essential elements to guarantee the correct working of the managing an account framework and the economy as a whole and the number of bank repentances may increase due to their destitute working. As of now, most analysts are inquisitive about the prodigy of corporate governance. The significance of corporate governance can be watched within the socio-economic advancement of the nation. In addition, the subject of corporate administration has been broadly examined among analysts from developing countries. In any case, the state of corporate governance isn't well caught on in developing countries in Central Asia such as Uzbekistan. Currently, most mechanical organizations are shaped on the premise of corporate governance standards. In order to progress the proficiency of joint stock companies and make favorable conditions for the speculation environment, several unused controls have been received. For instance, the Decree of the President of the Republic of Uzbekistan which confirmed on April 24, 2015, is about to express to calculate the growth the application of present standards of corporate management within the exercises of joint stock companies and with this a few of the assigned focuses are as takes after:

- to investigate the international practice of corporations adhering to corporate governance standards and insertion into our mechanism or structure.

- because of foreign direct investment, it is necessary to establish joint stock firms and enhance operational circumstances so that to involve investors' attention, also to build a strong bond with them.

- to implement strategic management of joint stock corporations and firms, to establish an efficient control system over the staff.

- through close collaboration with premier and best international universities, in order to educate and prepare future specialists in efficient strategic management methods.

Making favorable conditions for speculation and expanding consideration to drawing in outside coordinate speculation in Uzbekistan is considered one of the foremost critical issues that are always talked about and upheld at the government level. In this way, it is important to consider several decrees adopted by the government of Uzbekistan in order to carefully examine the consequences of the adopted decrees.

2.3 The technique of financial management organization in company organizations is in a foreign practice

Organization of financial management mechanisms in company organizations that is effective and efficient. All factors affecting the financial and economic activities of development enterprises, such as achieving consistency, considering future strategic goals in many ways the financial manager or the enterprise, such as defining the duties and responsibilities of the employees responsible for financial management. Previously said that today's corporate activities are efficient, which is a major challenge for finance managers and business leaders. One of the tasks is to clearly define the enterprises' current and strategic goals, to be able to analyze the external environment, all that is going on in the national and international economy, to formulate appropriate conclusions based on changes, and to calculate the enterprises' coordination of activities in accordance with the external economic and social environment. The utilization of such key responsibilities in the growth of firms, as well as the enhancement of the mechanism of direct financial management organization and effectiveness from the experience of foreign nations in this sector, is required.

Corporate financial management procedures are a set of core elements that control and implement financial management mechanisms. The financial management mechanism is based on certain features of financial management at all phases of the development cycle and decision-making, as well as their successful execution, enforcement, and monitoring throughout the period of initial formation of the firm. Corporate structures regulate their operations (through normative and legal documents), and the mechanism encompasses the structure's organizational and operational procedures. The financial management mechanism for most types of company organizations, according to world practice, includes:

Enterprise activity is regulated by a market system. This process may be seen mostly in financial markets.

An internal mechanism that controls some parts of a company's financial activity.

A framework like this allows operational management to make judgments about the financial operations of firms that were founded separately for the purpose of adoption.

Information System for Financial Management. To do so, management must make judgments to offer accurate and trustworthy data.

Financial management establishment in international company structures or if we look at the organizational structure of a company's financial management in the United States or most companies operating in European countries, the organizational structure of financial management is determined by the types of activities that are divided into sections and subdivisions, as well as their specific functions and responsibilities. In big and medium businesses that it is generally financial. The CEO and vice president of finance or financial manager (Chief Financial Officer - CFO) are appointed, with the necessary departments and divisions reporting directly to them. There are two types of financial activity in major corporations:

The first is the treasurer (financial department), which is led by treasures, and the second is led by the chief accountant (controller), both of whom are immediately subordinate to the financial manager.

In major corporations, the treasurer and chief accountant have additional obligations and responsibilities that are directly connected to their areas of activity, such as making management choices for higher divisions under their jurisdiction, as well as preparing and presenting information. Modern management is a member and plays an important function in the management hierarchy under the circumstances of the chief financial manager of the board or the board of directors. Chief Executive Officer and the financial manager, together with the director, is responsible to shareholders and produces financial statements to business owners and investors. This position is from its CEOs by means of his actions and deeds, expressing his independence, and explains that it is accountable to shareholders. Financial in turn directors of the Vice President for Affairs on a case-by-case basis approved by the Board, this position from its CEOs on a case-by-case basis approved by the Board, this position from its CEOs by means of his actions and deeds, expressing his independence, and explains that it is accountable to shareholders. The CEO is responsible for product sales, vice president for finance, and operations are immediately subordinate to the Vice President, as can be seen from the Board of Directors' structure. Problems with money, both the Treasurer and the Chief Accountant will contact the Vice President. They are in charge of completing management duties such as accounting, tax reporting, capital investment management, and loan management.

International and national examples of how to organize a business management system The hierarchical technique, which is implemented in a functional state, is one of the most common. Incorporated management in the hierarchical organization of the centers, as well as the range of management techniques used in them, are all important factors to consider. The system of management in today's companies is split into two or three steps, with the first being the apparatus of the whole management activity of the enterprises at the next level, the next and in the hierarchy, it is a system of management in its own structural units. The financial management system was discussed. Japan, in the realm of corporate finance, is one of the countries with a long history of successful governance. Japan's economy is organized into several geographical areas, and it is a global leader in a variety of industries. Japanese corporate management and how firms run and what their organizational structure is to understand more about them also involves studying their business culture, which is a significant force in attaining such success. In Japanese corporate culture, there is a high degree of trust in the hierarchy for collaboration, harmonization of team goals, and team goals. A culture of profound regard for people in positions of power, whether older in business or a culture of deep respect for those in positions of authority, is also perfectly created. There are typically no guidelines or directions, no matter how inconspicuous and instantly subordinate, in such a society. Confucianism is responsible for the establishment of such a culture. This is, in fact, the case in Japan that the culture differs significantly from that of Western countries. Otherwise, the person in charge of Japanese corporate management is on his own, similar to expecting that subordinates obey orders without question and that a professional school mentors subordinates. Even he also looks after his subjects' families. Japanese companies, unlike their American and European counterparts, include their staff in fixed expenses and suppliers. It has a strong bond with the involvement of all elements of the organization in the process is decided by the management. There are primarily two forms of Japanese company financial management. Integrated organizational systems, both vertical and horizontal, are commonly employed.

CHAPTER III: CORPORATE GOVERNANCE IN CENTRAL ASIA WITH CONNECTIONS OF THE WORLD

3.1 Accomplishments of Central Asia

In recent years, large-scale reforms have been carried out in Central Asia to develop the national corporate governance system, which are mainly aimed at introducing modern methods of corporate governance, radically increasing the efficiency of joint stock companies; wide attraction of foreign investments to 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 a real character inherent in a modern market economy.

Within the framework of the corporate governance system that is emerging in Central Asia, all the necessary elements are formally present, but in real activities the principle of separation of ownership and control rights is not recognized. In most companies, the level of ownership concentration is so high that the owner controls all processes in the company, including operational activities. The owners of the company create their own councils of rectors, often not obeying the decisions of the general meeting of shareholders. Insufficiently high level of corporate culture in Central Asian companies is the reason for ineffective development of companies and low investment attractiveness of business. Raising equity capital is a prerequisite for expanding a company's operations, but all costs and risks must be considered. Implementation of good corporate governance is currently a precondition for a successful share offering. In this regard, the importance of corporate governance issues for attracting investment and ensuring the efficiency of Central Asian companies that are actively expanding the scale of their activities is becoming increasingly important. It is well known that the practice of corporate governance directly affects the inflow of external investment into the economies of countries. Without the formation of an effective corporate governance system, it is impossible to ensure an inflow of investments. Therefore, the issue of corporate governance and corporate governance is of paramount importance for countries with economies in transition.

Corporate governance is an area of management that has practically no domestic developments. In recent years, corporate governance has become one of the most discussed topics in Central Asia scientific and business circles. The high interest in the problems of corporate governance in Central Asia is explained by the need to ensure the successful long-term development of the economy, attract investment and increase investor confidence. The attractiveness of Central Asian companies as investment objects is currently weakened by the low level of corporate governance. The effectiveness of this guide is now a sine qua non for a significant increase in investment in domestic companies.

The crisis of 1997–1998 showed that behind visible prosperity and attractive financial reporting there is a lack of stability, a system for responding to crisis situations, and managers very often try to solve serious problems at the expense of investors. Therefore, in order to ensure the efficient use of company assets, investors require complete information about the state of affairs in companies and the ability to take part in control over the management process. The low capitalization of Central Asian companies is associated not only with the underestimation of tangible assets, but also with the low valuation of intangible assets, a component of which is the state of corporate governance. According to various expert estimates, only by improving corporate governance at present, Central Asian companies can expect to receive a premium in the amount of 20-30% of the current price of their shares. As the research shows, the majority of investors consider the practice of the top management bodies in the company as a factor that is of the same importance as the financial indicators of its activities.

The competitiveness and efficiency of the company is the result of the joint work and efforts of a number of persons representing various resources, including shareholders, investors, creditors, employees, suppliers. The contribution of each entity is a necessary resource to improve the competitiveness and profitability of the business. The long-term interests of the corporation benefit from the recognition of the need for cooperation of all stakeholders and their contributions. Therefore, Central Asian companies should more actively resolve all issues put forward by these entities, such as labor relations, financial transparency, environmental policy, and corporate culture. In the long term, an effective solution to these problems leads to an increase in the company's business reputation. All this is of particular interest to domestic and foreign investors and determines the corporation's ability to attract the required investments in financial markets.

For instance, in Uzbekistan in January-December 2020, 842 enterprises and objects were privatized including software and non-software facilities. In the reporting period, the largest number of objects was privatized in the Tashkent region - 117 objects (13.9% of the total number of privatized objects in the republic), Fergana region - 112 objects (13.3%), Andijan region - 111 objects (13.2%), Namangan region - 77 objects (9.1%), the Republic of Karakalpakstan - 67 objects (8.0%), Kashkadarya region 64 objects (7.6%). Local government objects account for the highest percentage of privatized state property, accounting for 574 objects (68.2 percent of the total number of objects privatized in the republic), followed by the Ministry of Housing and Communal Services with 80 objects (9.5 percent), the Ministry of Health with 59 facilities (7 percent), the State Assets Management Agency with 35 facilities (4.2 percent), and the State Assets Management Agency with 35 facilities (4.2 percent), 16 facilities in the Ministry of Finance (1.9 percent). Furthermore, foreign investors were given several favors and perks, such as being excluded from paying profits and income taxes, which created a favorable atmosphere for their operation.

3.2. Stages of development of corporate governance practice on the example of Uzbekistan

The process of adopting and implementing corporate governance principles in Uzbekistan can be broken down into seven stages, each of which is vital to comprehending the distinctiveness and peculiarities of each stage of growth. The history of corporate governance in Uzbekistan may be traced back to several legislative measures. One of the first laws on this issue is the Law "On Joint Stock Companies and Protection of Shareholders' Rights" (adopted in 1996, revised in 2014). This legislation establishes the formal procedures for forming corporations, as well as the principles of corporate management and operation and the norms of interaction between executive bodies and stakeholders. In addition, basic shareholder rights are established, securities market participants are identified, and actions are implemented to protect the interests of businesses and investors, thus, the legal structure of corporate governance in Uzbekistan is formulated. This law lays out the fundamental principles of corporate governance in Uzbekistan, taking into account the country's unique characteristics, management, and control. The introduction of this law resulted in a beneficial development of Uzbekistan's market relations. The law outlined specific circumstances of joint stock company activities, including reorganization, liquidation, business management, joint stock company securities, and profit and dividend distribution. In 2014, some changes were made to the following law. 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. The role of the numerous stakeholders involved in the process defines the distinctiveness of corporate governance operations. Step by step growth of corporate governance over the years in Uzbekistan is shown on Table 1.

Table 1. Stages of development of corporate governance practice

Number	Years	Views	Concept	Result
1.	1990-1992	Formation of property relations	Formulation of legal aspects of property relations	Research has begun to understand the underlying assumptions of corporate governance
2.	1993-1997	Reforming property relations	Evolution of the first joint stock companies	Adoption of a law on measures to protect the legal rights of joint stock companies
3.	1998-2002	Reforming corporate governance relations	Full implementation of corporate governance reforms in Uzbekistan	Application of the principles of corporate governance in joint stock companies. Creation of stock exchanges
4.	2003-2007	Improving the corporate governance system	Evolution of various approaches to corporate governance. The	The activity of joint-stock companies has significantly

			importance of corporate governance continues through an increase in the class of owners	expanded
5.	2008-2010	Apply the principles of international corporate governance characteristics	Creation of a system of incentives for local and foreign investors	The influence of the global financial crisis has been eliminated, which increases the attractiveness of the investment environment
6.	2011-2014	Create healthy competition and eliminate property owners' funds	Corporate governance with state participation has developed its infrastructure	Ensuring the safety of investors' capital
7.	2015	Identify ways to improve the corporate governance environment	Corporate Governance Code completed	Study the principles of corporate governance of foreign companies
8.	2016-2020	Improving corporate governance in joint stock companies with a predominant share of the state	Implementation in all companies of the norms and provisions of the Corporate Governance Code, provision of internal and external control over the efficiency of the executive body	Preserved in the form of joint-stock companies, enterprises with a state share, playing a strategic role and significant for the development of the economy, ensuring their work strictly in accordance with international standards of corporate governance

3.3 Corporate Governance in the USA, Germany, UK and the European Union

There are two speculations that can be utilized to clarify corporate governance. The primary hypothesis is known as the shareholder hypothesis. The shareholder hypothesis states the part of the shareholder as a vital and the part of the supervisor as an operator, which is closely resembling the hypothesis of office relations. Shareholder well-being is the most objective of agency theory. In this way, specialists are anticipated to act within the best intrigue of the shareholder. In turn, shareholders control and coordinate the activities of supervisors, presenting different rules and commitments related to the company's activities. The moment hypothesis fundamental corporate governance is the partner hypothesis, which can be utilized to clarify the relationship between an organization and its stakeholders. Stakeholders comprise bunches of individuals who can have an inside and outside impact on the company's exercises. In any case, governments are progressively concerned with advancing the application of corporate administration standards in joint stock companies. In this way, in order to advance the application of the standards of corporate governance in joint stock companies, it is fundamental to carefully analyze and execute advanced strategies of open organization. In this regard, as of now, developing companies with broad involvement in corporate administration can be utilized as a benchmark, given our neighborhood's financial conditions. The corporate segment of created nations has as of now affirmed the method of joining existing enactment and shapes of corporate administration. The worldwide monetary emergency of 2008 can be seen as one of the vital reasons that drove the method of weakening of corporate administration standards in numerous nations. For illustration, one of the driving US vitality companies, Enron, went bankrupt, and a few of its individuals were arraigned for planning untrue monetary articulations and the US government to revise its corporate governance regulations. Even though the bankruptcy of Enron, the principles of US corporate governance subsequently became the strongest in the world. The Enron bankruptcy is said to have accelerated the reformulation of corporate governance principles. The US socioeconomic model provides an opportunity for other parties to participate in the regulation of companies in order to increase their personal wealth. The standards of corporate governance within the United States (commerce framework) and Germany (two-tier framework of government) are considered the two primary worldwide guidelines acknowledged around the world. Agreeing to American measures, commerce circular tables direct the exercises of the company. The essential obligation of the board of chiefs of a public enterprise is to choose the chief official officer and supervise the day-to-day exercises of the CEO and senior administration. Later measurements appear that the number of official executives is diminishing, whereas the number of free chiefs is expanding. The American framework of corporate governance is straightforwardly related to the characteristics of the American framework of proprietorship. This could be clarified by the need of solid financial specialists in corporate government. The supervisory board's functions in Germany are governed by the German Companies Act and in this case of enterprises with more than 2,000 workers, half of the supervisory board members are elected by them, consequently, shareholders' agents are allowed to set out on the supervisory board of joint stock firms, according to the German Companies Act. However, depending on the type of joint stock company, a few alterations may be possible. The Supervisory Board Act gives shareholders and representatives the ability to act as individuals of the supervisory board. Compared to Germany, there's no such confinement in Central Asia, since shareholders ought to be on the supervisory board. In addition, employees in some Central Asian countries are not qualified to be chosen to the supervisory board. From the UK's point of view, the country's economy is exceedingly subordinate on the effectiveness of the firm. In this way, the presentation of one board of executives permits board individuals to oversee the company with a tall degree of opportunity. In 1844, the Law on Joint Stock Companies was passed to stipulate participation between different shapes of companies. In any case, in 1855, a new Limited Liability Act was passed to verbalize the rights of proprietors and companies. Already, the liquidation of a company was seen as the insolvency of the proprietor, which was the main reason for the marking of the Limited Liability Law.

The application of company administration isn't particular to the European Union, hence there are one or two administration frameworks. Nations counting France, Spain, Switzerland, and Italy utilize one board framework, whereas nations counting Germany, Sweden, Austria, and the Netherlands utilize two board frameworks. In this sort of corporate governance, the administrative work is considered to be partitioned from the oversight work. So, the supervisors are capable of giving direction to executives; however, they are not dependable for the administration of the company. In choice, board individuals must meet a strict set of criteria. In an EU setting, workers are given a situate on the board of directors; however, they don't have the right to vote.

CHAPTER IV: CENTRAL ASIA: KAZAKHSTAN, UZBEKISTAN, TAJIKISTAN, KYRGYZSTAN, TURKMENISTAN (CORPORATE GOVERNANCE STRUCTURE OF THE COMPANIES)

4.1 Implementation and development of the corporate governance system in Central Asia

Corporate governance has been through a rigorous process of formation and development and is thus the most significant achievement of the twenty-first century. Corporate governance, like general governance, is the most critical tool for economic reform. According to P. Drucker, the patriarch of modern management, the success of not just the firm, but the entire nation, is determined to an extent of 80% by management effectiveness rather than natural resources and technologies. According to market transformation specialists, management is one of a company's or economy's most powerful competitive advantages. Understanding management as a collection of management strategies that allows a nation, a large or medium-sized organization, to effectively employ all its resources and capabilities began to define the performance of enterprises engaged in mass production and product sales. For more effective development and activities, the development and maturation of market relations need the formation of a system of new relationships between company owners and managers, as well as other interested parties (government, partners, consumers, etc.). The content and growth of corporate management have been aided by several scientists. Many international firms have been created and are effectively developing on the basis of corporate management, including Standard Oil, General Electric, Dupont de Nemours in the United States, Fiat in Italy, and other enterprises in Germany, Japan, France, and other industrialized countries. It's no accident that experts in the formation and execution of corporate governance have noticed a trend among active participants in business relations and the corporate governance process to recognize and rank other stakeholders: company employees, creditors, investors, local governments, and so on. And this is a fair approach, because these organizations expect businesses to be intimately involved in achieving their personal and societal goals. The implementation of corporate governance ideas and practices in the Central Asia economy lags significantly behind the demands of a contemporary market economy, as evidenced by the management of successful international enterprises. The following are some of the explanations given by foreign specialists in the field of corporate governance:

- low corporate culture in companies
- violation of the rights of owners of ordinary shares

- poor implementation of adopted laws, including lack of financial and human resources, corruption, unsuccessful legal proceedings
- management accounting does not fully comply with international standards.

4.1.1 Five companies of management control and other improvements

The five companies highlighted in this research all reaped the benefits of their governance initiatives.

• Increased access to financing: Almost all respondents reported a considerable increase in their capacity to get funding as a result of their corporate governance activities. They described governance improvements as having a good influence on instilling market confidence and offering more assurance to investors, creditors, and other debtors. These firms have been able to raise new capital in recent years, ranging from $4 million to roughly $200 million, thanks to the governance improvements.

• Improved strategic decision-making and reduced organizational inefficiencies: Almost all the organizations and banks examined here reported significant improvements in both day-to-day operations and strategy. Many people attributed this to clearer management and board duties, as well as better oversight.

• Improved brand and shareholder/stakeholder relationships: The majority of companies saw a significant improvement in their reputation as well as their ability to differentiate themselves from competitors in the marketplace. Some of the intangible but crucial measures of effectiveness, such as trust, also improved significantly among the non-profits in the group.

• Lower risk, better development prospects, and greater possibility for long-term business viability: By focusing on organizational structure enhancements including succession planning and separating board functions from management duties, as well as tightening internal controls and risk management, all of the companies profiled expressed increasing confidence in their potential to survive in the long run. While each of the five firms profiled here has a different development to tell, it is clear that their collective results highlight the positive impact of good corporate governance for companies and banks operating in the transition economies in Central Asia.

Altyn-Azhydaar, Kyrgyzstan

Altyn-Azhydaar is a dynamically developing company with modern production technology, high quality products and a highly professional team. The company was founded in 1995 and is engaged in the production of packaging from corrugated cardboard, as well as cast lumpy containers, coated cardboard and the manufacture of colorful packaging from corrugated board. The company currently employs about 500 people. The total production area is 18000m². In 2005, the paper machine was successfully launched. One of the priority tasks of the company is an individual approach to each client. They have to look for unconventional ways not only to attract new customers, but also to strengthen existing business ties. The company's specialists will give you comprehensive advice on any issue in the selection of containers and packaging. The company has its own transport department, a car park, which allows delivery both within the republic and to neighboring states. The company has succeeded and developed thanks to its governance system, which has increased domestic sales and exports. The first was the International Finance Corporation's (IFC) inaugural investment project in the country, which took place in 1996. Since then, IFC has given the company three further loans to help fund its production and expansion. The operations and its running rose as the company developed. The company's original and current governance structure, method and management infrastructure had surpassed the owners' expectations. They sought to update the company's strategy and implement more sophisticated management as well as a strong corporate governance system that could be copied in other nations where they do business and by the way, the owners also realized how critical it was to establish a procedure to ensure that the company remained family owned as it transferred to the next generation of leaders. They mitigated key-person risk by identifying members of the next generation who were interested in joining the family firm and developed a procedure to prepare them for future managerial positions. In addition, Altyn-Azhydaar improved its internal control system in a number of ways. A code of ethics was developed, as well as codified processes and controls, roles and duties were clarified, and internal control procedures were adopted. An internal auditor role has been created. Altyn-ability Ajydaar's to access finance has improved as a result of improved corporate governance, which has provided greater confidence to investors and the market while also lowering the cost of financing. The company has developed a best practice strategy that extends to its subsidiary, thereby limiting risks, by establishing corporate governance-related covenants. Family members' opinions of how to run a successful family-owned business have shifted dramatically as a result of the developments.

After implementing governance, Altyn-Azhydaar reported the following benefits and during COVID-19 improvements:

• Preferable access to capital and public relations: Improved governance has given investors and also sustainability of concentrated control to the market more confidence in the company's long-term health and stability, allowing for a cheaper cost of capital.

• Since the firm's suppliers and customer networks are located in countries more affected by COVID-19 than others, the firm will experience more severe disruptions to production and sales, and therefore a larger drop in share prices, than peers with less COVID-19.

• Expanded possibility for effective progression: The company is better positioned for a successful transition to the next generation because of the founders' improved grasp of progressive procedures, a greater focus on teaching the next generation, and a detailed description of the professional criteria for family member employment.

• Lower risk and its management: The company's internal control system was rearranged and systemized, providing an objective and detached view of the whole organization, highlighting merits and demerits also aiding in risk reduction and management, and assuring replication of good business processes as the company grew.

Artel Group, Uzbekistan

Artel is a Central Asian pioneer in the production of household appliances and electronics, and is part of the AKFA Group, Uzbekistan's largest private holding company. The company began operations in Uzbekistan in 2011 with the fabrication of gas stoves. Artel's product line now includes all you need for your house. Air conditioners, microwave ovens, mini-ovens, gas and electric cookers, televisions, refrigerators, mobile phones, built-in appliances, vacuum cleaners, hoods, small domestic appliances, and others are among Artel's product lines. The company had limited experience with the corporate governance procedures that characterize joint venture companies in nations with more developed capital markets due to its roots as a family business. The company's appreciation for the need of corporate governance arose from real, day-to-day operational experience. From the beginning, the company's shareholders, as well as its employees and managers, recognized the importance of ethical business practices and strong financial management in ensuring the company's long-term viability. They recognized that a strong corporate governance framework was an important part of this. Furthermore, stronger governance was related to a strategic goal that the company would need to strengthen its governance in order to succeed in its objectives to expand worldwide and already in the Central Asian market. Artel and AKFA Group would achieve another crucial goal by implementing systematic governance improvements: they would serve as an example for other Uzbek enterprises.

Artel Group reported the following positive impacts after implementing governance changes and during COVID-19:

• Increased the chance to enter to new markets: Improved governance and decision-making aided in the development of strategy and plans for future expansion into the Asian market.

• Market damages: The structure of the corporate governance and executive compensation can also influence the market’s perception of a company’s resilience to COVID-19.

• Market visibility: The addition of a standardized approach to agreement was signed between General Mobile and GGL LLC on the joint production of mobile phones in Uzbekistan in 2015 and a presentation of a device created by the Android One program of Google took place in Tashkent. After discussing this issue, Google chose the Uzbek market as a convenient place for foreign investment.

• Improved reputation as a business leader: Artel Group has set an example for other Uzbek companies by electing a diverse board of directors that includes women directors, delivering a message to the business community about the value of diversity of backgrounds, experiences, and opinions.

• Better long-term prospects: The company has built a solid foundation for future growth and sustainability thanks to a stronger corporate governance framework.

Kaz-Micro Finance, Kazakhstan

The first loans were granted to Taldykorgan entrepreneurs on November 20, 1997. The project in Taldykorgan was a huge success because of the team's hard work and technique, which was effectively suited to the requirements in our country. The Fund began to acquire traction by expanding its geographic borders and increasing the number of clients it served. Kazakhstan Loan Fund changed its status in 2006, becoming a Microcredit Organization “Kazakhstan Loan Fund” (KLF) and a non-profit organization at the same time. Between 1997 and 2007, eight branches were opened in Kazakhstan's major cities. KLF strengthened its position as a dependable and transparent microfinance institution focused on clients through its operation in the Republic of Kazakhstan's market. The Fund formed a for-profit subsidiary entity, “MCO “KazMicroFinance” LLC, at the end of 2006. (KMF). Kazakhstan Loan Fund's clients and personnel were transferred to a new organization. The microfinance organization KMF and the transaction's organizer, the International Finance Corporation (IFC), inked a €66 million syndicated loan deal. The syndicate of foreign investors includes, in addition to the IFC, the biggest financial institutions in the microfinance market: MicroVest (USA), Bank im Bistum Essen (Germany), Incofin Investment Management (Belgium), Symbiotics SA (Switzerland), Oikocredit Ecumenical Development Cooperative Society UA (The Netherlands), Jump BV (Netherlands), Invests in Vision GmbH (Germany), IIV Mikrofinanzfonds (Germany).

In 2007, KMF's management realized that its rudimentary governance system couldn't keep up with the company's rapid expansion. The management team eventually understood that aligning the company's governance system with best international practices would improve strategic decision-making and support long-term success. The corporation lacked strategic guidance and management control since it lacked a board of directors or other similar governing body. In 2010, the company received two international awards: MFC & Smart Campaign Award for Excellence in Client Protection; and Smart Campaign acknowledged the company as the best microcredit organization for its efforts to avoid consumer over-indebtedness. The Supervisory Board at MCO "KMF" LLC was constituted by the General Assembly in 2011. Then, the management team defined the work program for the internal audit department, making it difficult to maintain the department's independence. Furthermore, the company lacked competent personnel to undertake the risk management role, leaving the company vulnerable to large risk—a severe issue considering the microfinance industry's issues. Currently, the company was successful in overcoming The Covid-19 Pandemic challenges. In challenging economic times, KMF was able to secure a $40 million tenge loan from the European Bank for Reconstruction and Development (EBRD). The loan aided domestic entrepreneurs in continuing their businesses and preserving jobs. KMF has received a credit line of KZT 5 billion tenge from the Entrepreneurship Development Fund "Damu" to finance micro and small private companies in the regions on favorable conditions. The EBRD award was given to KMF for successfully launching and implementing sustainable development projects in the areas of gender and economic inclusion. In September 2022, together with the EBRD, a new green microlending activity was started. KMF became the EBRD's first local partner among Kazakhstan's financial institutions, receiving a loan line of $5 million in tenge equivalent. The organization currently has a supervisory board of skilled and experienced individuals in charge of strategy development and corporate stewardship. Independent members of a new board audit committee will advise the board on risk-related matters. The internal audit department is now overseen by this committee, which has improved the department's independence and impartiality. The risk-management function was also strengthened by KMF.

Following the implementation of governance measures, Kaz-Micro Finance reported the following benefits and COVID-19 period:

• Increased mortgage book, capacity and clientages: to get better decision-making has given to opportunity to create the customer area and internal controls have improved governance and permitted significant expansion.

• The firm that strengthened corporate social responsibility policies: The activities prior to the COVID-19 pandemic saw stronger share price movements. These results are consistent with the view that corporate social responsibility builds stakeholder trust, making employees, suppliers and customers more receptive to adjusting support business in difficult times.

• Redesigned trade logo and differentiation by price: KMF's governance modifications have been acknowledged by respected organizations such as the Smart Campaign for Client Protection and MIX Market, an MFI ratings agency that gave the firm Four Diamonds, the agency's second-highest grade. K - Knowledge, M - Motivation, and F - Freedom - were also picked as values. KMF will conduct its activities in the best interests of clients, staff, and society as a whole, based on these guiding values and principles.

• Capital Growth: The company has grown into a worldwide organization thanks to investments from well-known financial institutions, propelling the company to the next stage of its institutional development.

Tajero, Tajikistan

Tajero is a trading firm that specializes in the importation and distribution of food and home items. Founded in 2002 by Abdurahmon Gaibulozoda and his uncle Abduhalim Toshiev. Tajero has been the largest distributor in the Republic of Tajikistan's area for over 20 years. The company established itself as a respectable partner in the Tajik market, constantly seeking to improve and not resting on its laurels. The company also has cooperative agreements with more than 20 food and beverage manufacturers based in countries such as Finland, Germany, Russia, Turkey, and Ukraine. The international accounting system 1C is used by Tajero. The salespeople of the company are outfitted with cutting-edge tablets. The automatic application collection system makes it easier to keep track of our sales at each location as well as individually throughout the channels. All system applications must be submitted online. Crowe Horwath conducts an independent audit of Tajero every year. They are partners of the IFC (International Finance Corporation), a World Bank subsidiary. Tajero's corporate governance structure was partially assessed by the corporation in 2011. The study focused on many major governance concerns facing the company, including family control and governance, CEO succession planning, and key person risk—all of which are of essential importance given the company's owner and CEO's central role. Tajero made improvements to resolve the problems. The corporation established an advisory procedure so that the CEO, who had previously been the single decision maker for the company, could benefit from advice from key staff when making strategic decisions. Based on their knowledge and professionalism, these individuals might deliver well-informed opinions. Tajero also took steps to lay up a succession plan for the current CEO and other top management personnel. For greater monitoring of important activities, the company formed an internal audit unit, as well as management training and coaching programs to help corporate executives strengthen their professional skills. Positive feedback and assistance are also provided through the training and coaching programs, resulting in enhanced job satisfaction. In 2014, Tajero was able to obtain the funds it required to extend its operations: $3 million in additional funding. Tajero established three new divisions with the new funding: Amiri confectionery, Amal Industry, and Tajero-Sugd. Furthermore, as a result of a stronger internal control environment and more informed decision-making, the organization is operating with higher efficiency and effectiveness. In 2020, Tajero is regarded as the country's corporate governance leader and a role model for other family-owned businesses seeking assistance and advice on how to improve their own governance systems.

Tajero noted the following benefits as a result of the modifications that made, and COVID-19 period:

• Raised to gain more to funds: Improved governance led to an overall improvement in strategic decision-making as well as daily manner of working that active attraction of financial resources from markets and providing investors more confidence in the company's long-term viability.

• COVID-19 pandemic due to the decrease in the key rate of the banks and company, minority investors prefer to invest in shares. The activity of minority shareholders has increased significantly, but their share is still small and does not play a significant role in decision-making in the company’s corporate sector.

• Lower management income sales: Taking principals notes in company future deals and providing coaching to help them improve their skills has greatly improved team spirit, job satisfaction, and the corporate culture of the company.

• Improved public perception: Tajero which is the company in Tajikistan, the corporation is regarded as a corporate governance role model and its methodology for other family-owned businesses.

Safa, Turkmenistan

On February 2, 1994, the Ministry of Finance and Economy of Turkmenistan formally registered the individual enterprise Safa. Since 1995, the company has been a leading manufacturer of polyethylene and polypropylene products and enjoys well-deserved trust both in the domestic market of Turkmenistan and among consumers outside the country. The main direction of the activity is the production of films for bags, as well as the production of reusable plastic containers. These days the company made the changes and challenges on corporate governance system respectively, however, there are a lot of state-owned, joint-stock and family-owned companies in Turkmenistan and it is one the individual businesses who improved the system of corporation with the favor of European Bank for Reconstruction and Development (EBRD). They have own structure and mission:

- Provide reliable and accurate information on Turkmen products and producers.
- Assist customers in quickly and efficiently locating the appropriate products and producers.
- Assist buyers and suppliers in working together to run a successful and efficient business.

In March 2020, Safa received $ 1.5 million from the EBRD, which will be used to purchase cutting-edge equipment to ensure that its goods are environmentally safe. To comply with EBRD Performance Requirement 2, the company will revise its Human Resources Policy, which will include designing and implementing an employee grievance system and an external grievance mechanism adequate to the Project's magnitude shall be established.

Following the implementation of adjustments, Safa reported the following benefits and COVID-19 pandemic:

• Increased gross margins as a result of the new product release and competitive quality and integrated quality through diversifying and increasing the company's exports.

• During the pandemic the firm with more cash, less leverage, and can be more profitable will experience less severe share price declines than others.

• Improved company continuity: Formalized succession planning decreases the risk of operational interruption and raises the possibility of long-term viability if a key employee retires.

• Rising the benefit: Way better chance administration has expanded client maintenance, diminished the number of non-performing advances.

CHAPTER V: OWNERSHIP

5.1 Ownership characteristics of Central Asian corporations

A review of Central Asian firm ownership structures will be presented, followed by a discussion of the causes of these structures. Then talk about how ownership structures affect corporate policies, how they affect managers' and owners' motivations, and how ownership patterns affect organizations' economic performance and valuation. The establishment of market-oriented incentives for corporate governance practices is a vital component for improving the business environment. In contrast to firms in the United States, the United Kingdom and the European Union, where shares are widely held, in a typical Central Asian firm, one or more members of a family own shares or state ownership in a carefully controlled manner. Stock pyramids and cross-shareholdings, which can be rather intricate in structure, are used by the family to gain effective control of the group's enterprises. The corporation is frequently associated with a corporate group (or joint-stock businesses) controlled by the same family, which may include several to several public and private firms.

Although in other parts of Asia, the firms have a high concentration of ownership, the extent of cross-shareholding or pyramid arrangements differs throughout Asian economies. Despite the fact that it is extremely prevalent in Korea and Taiwan, according to the studies referenced, nearly 80% of controlling shareholders in Thailand do not use cross-shareholding or family pyramid structures. Aside from family, the government owns a large number of publicly traded enterprises in a number of countries, including Singapore and, most notably, China. Control by financial institutions is less frequent in emerging Asia than it is in Japan. Individual and institutional investors often own a small percentage of a company's stock.

Generally, there are four key attributes of the modem corporate form worldwide.

Table 2. The Four Structural Attributes of the Modern Corporation

1. Separate identity. The company is a legal entity separate from its owners and shareholders, with its own assets and liabilities clearly defined and accounted for.
2. **Limited liability for owners.** The danger of financial loss for shareholders is limited to the amount they contributed to the company's capital.
3. **Centralized role for corporate management and a board of directors.** The corporation's daily operations are managed by one or more individuals, namely managers engaged by the owners. A board of directors, elected by the owners, represents the interests of the owners by directing management and overseeing their performance.
4. **Transferability of ownership shares.** The ownership interests of shareholders are transferable, and a transfer by an owner does not modify the corporation's rights and obligations with respect to its own assets and liabilities.

Source: Broadman (1996)

5.2 Researched companies and banks in Central Asia

In order to get a clear ownership position, I researched and gathered information about companies and banks in Central Asia.

Table 3. Number of Joint-Stock Companies and Banks included in the Research.

Countries	**Companies**	**Banks**
Kazakhstan	10	3
Uzbekistan	10	3
Tajikistan	5	2
Turkmenistan	3	1
Kyrgyzstan	2	1
Total	**30**	**10**

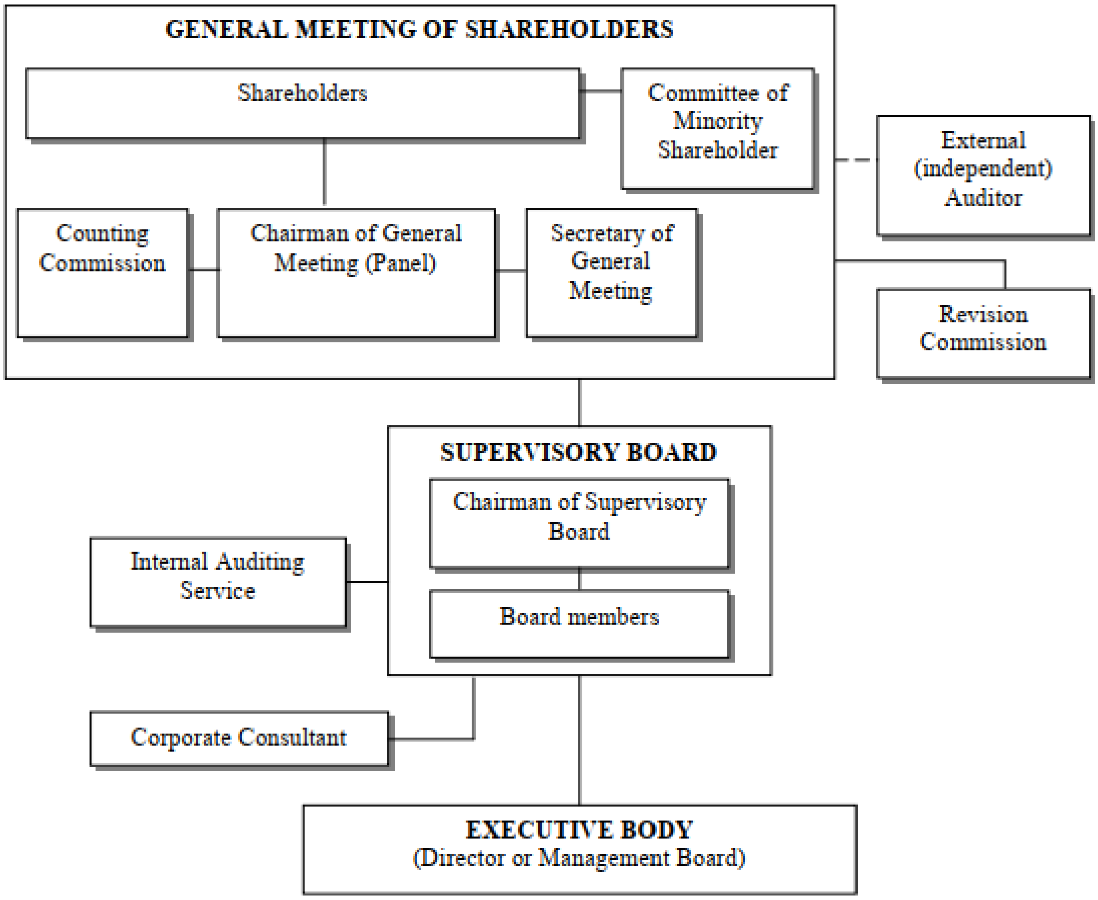

Figure 1. Typical corporate governance framework of Central Asian joint-stock companies.

Source: National legislation of Central Asia

According to the research there is a high concentration of ownership: 47 percent of companies have 2 or 3 shareholders, 25 percent of respondents are from companies with 4 to 10 shareholders, 2 percent have 11 to 20 shareholders, 2 percent – from 21 to 50 shareholders, 7 percent – from 51 to 100 shareholders, 6 percent – from 101 to 500 shareholders and 19 percent of respondents are from companies with over 500 shareholders in Central Asia.

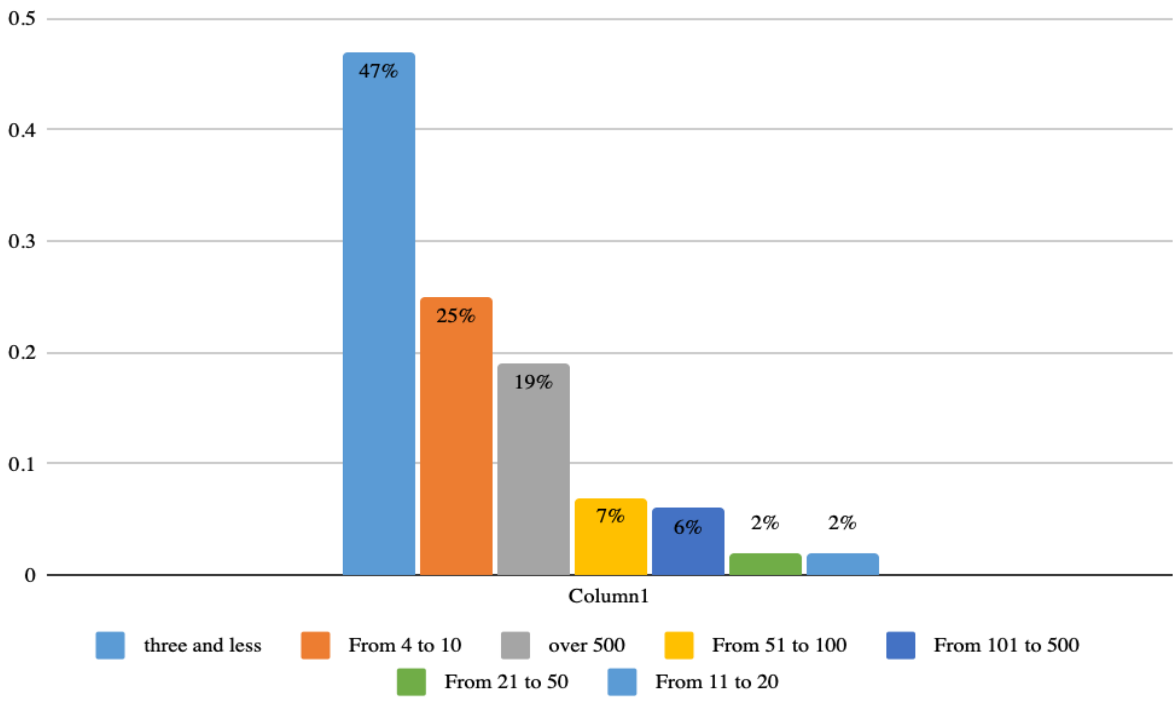

Figure 2. Number of Shareholders in Researched Companies with a Joint-Stock Company Organizational Legal Form, in %

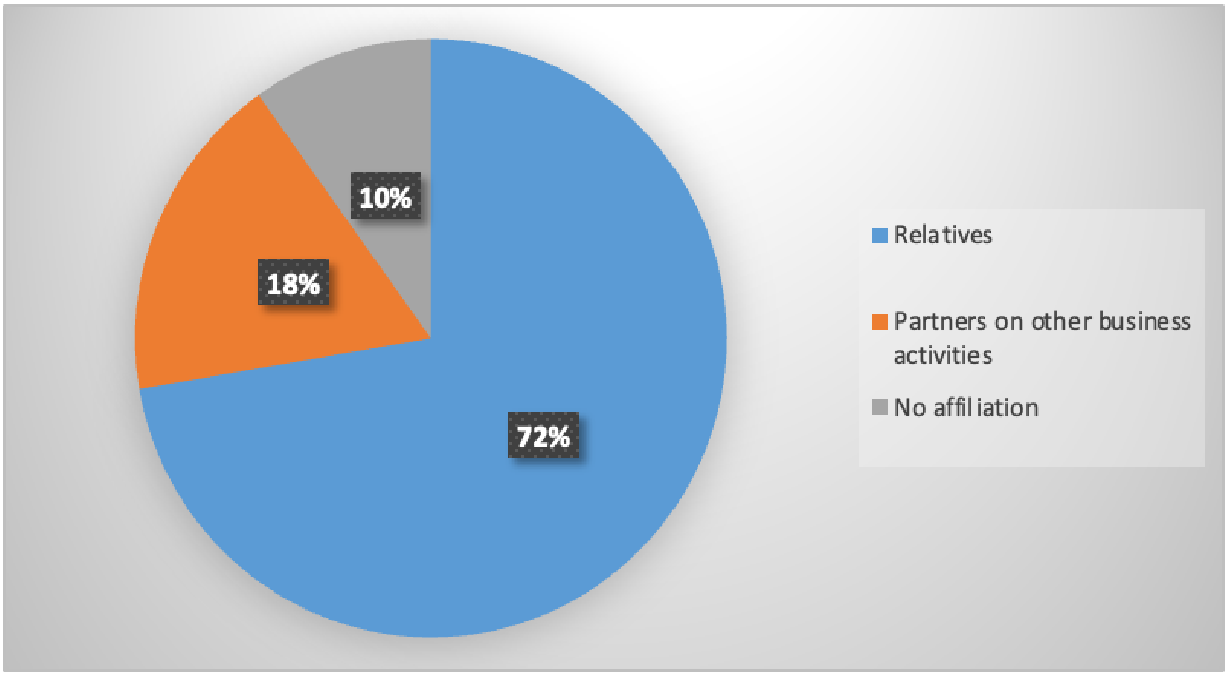

Figure 3. Presence of Affiliation in Joint-Stock Companies (researched), in %

In banks the quantity of shareholders is, as follows: 10 percent of banks have 3 shareholders or less, 10 percent have 4 to 10 shareholders, 27 percent have 21 to 50 shareholders, 31 percent have 101 to 500 shareholders and in 2 percent shareholders exceed 500. Of ten research surveyed banks in Central Asia five banks, 47 % do not belong to holdings, 3 banks, 31 % are subsidiaries of their mother companies and two banks, 22 % belong to holdings.

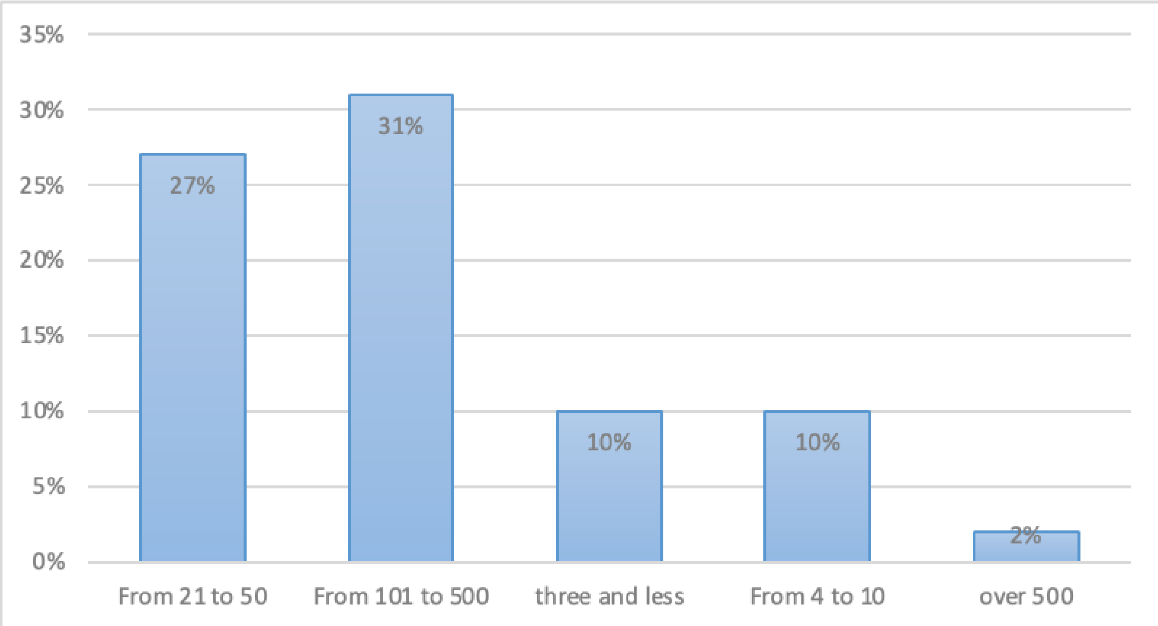

Figure 4. Amount of Shareholding in Banks, in %

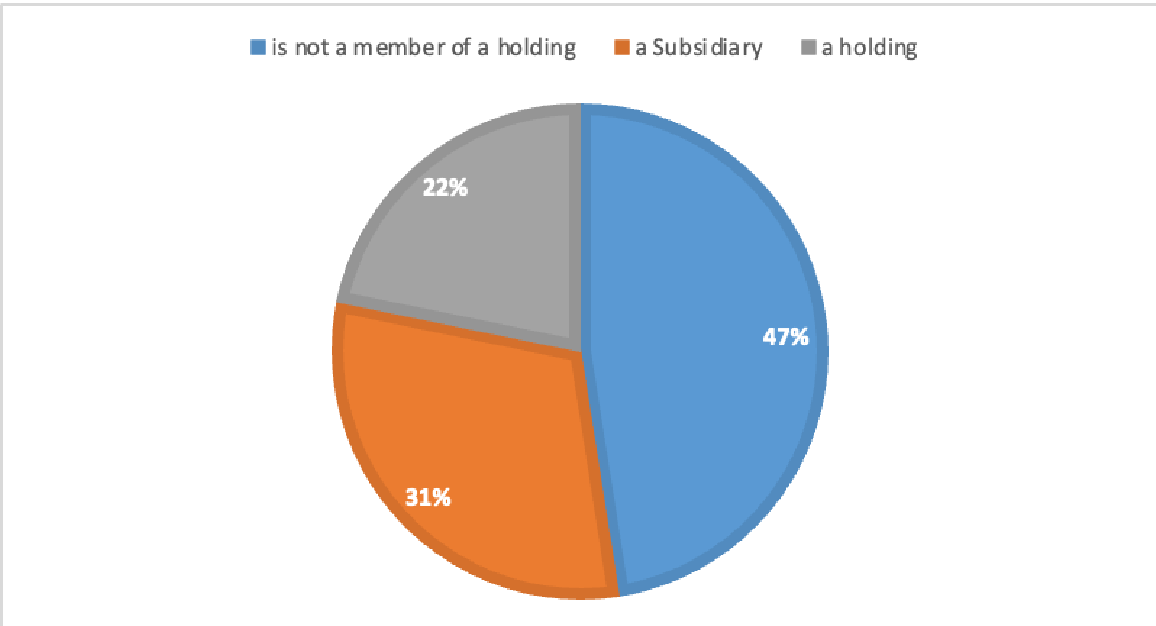

Figure 5. The banks are owned by holdings, in %

CHAPTER VI: CENTRAL ASIA-SPECIFIC CORPORATE GOVERNANCE ISSUES

6.1 Current situation in corporate governance and issues of its development

The following are typical bottlenecks in Central Asia's corporate governance system:

1. Insufficient disclosure of information about the company's ownership structure and genuine owners
2. Managers' and major shareholders' unwillingness to settle conflicts between various groups of shareholders through discussion and the search for acceptable solutions
3. Managers' and major shareholders' reluctance to resolve conflicts between various groups of shareholders through dialogue and the search for acceptable solutions
4. Inadequacies in financial statement preparation
5. Insufficient disclosure of crucial non-financial indicators concerning the company's activities and the risk management strategy it employs
6. The formality and inefficiency of systems for evaluating senior managers' work, as well as the insufficient disclosure of information on managers' salaries
7. In terms of professionalism, the composition of the Board of Directors, formality, and the efficiency with which they operate, they are lacking.

One of the major challenges in implementing corporate governance in Central Asia's modern economy, in my point of view regarding the research data, is the long-term stagnation of the management system, as well as its maintenance in the most significant sectors and spheres of society. According to the specialists-managers, the time for the reorganization to begin has gone, and it is now important to act decisively and consistently. For a long time, it was believed that reforming strategic sectors was impossible, that property should not be taken from the state, and that the country's economy would require a large sum of money. However, as the practice of successful foreign firms' market transformations demonstrates, money alone is not enough when it comes to the establishment of a new management structure, the introduction of corporate values, and the establishment of separate business units; a substantial reorganization within the country's economy is required.

According to my research the problems concerning good corporate governance practices include:

- Shareholder rights are not adequately protected or exercised.
- Shareholders' incompetence and passivity.
- Government-owned shares are being managed inefficiently.
- There is a lack of transparency and information disclosure.
- Company management's effort is ineffective.

The conditions under which corporate governance was established in Central Asia have a lot to do with current challenges surrounding the creation and implementation of strong corporate governance practices:

- Managers and employees of enterprises became the primary shareholders as a result of mass privatization.
- Weak financial markets, which prevent shareholders from exercising power through indirect means.
- The majority of joint stock businesses are in a difficult financial state.
- Many businesses have poor management.
- A significant portion of the stockholders are unaware of the law.
- Individual shareholders' desire to have a substantial presence in joint stock capital in order to exert control over the company's operations.
- Shareholder rights are not protected due to a lack of legal infrastructure.

6.2 Current challenges in Central Asia's corporate financial management system and their significance

There are a lot of topics now about the appropriate structuring of company finance management. These include financial security, effective organization, attracting low-cost financial resources, determining the ideal capital composition, issuing successful placement of securities, borrowings, and timely increases in liabilities through efficient use of cash. As a result, having a good credit history, an open subscription to shares, successful implementation of the open subscription, reinvestment of net profit and dividends, and determining the appropriate distribution ratio are all important. This successful implementation of corporate structure responsibilities increases market prestige and serves to optimize business value. As a result of national enterprise reform in recent years in some countries of Central Asia, frequent difficulties in the sector economy are directly tied to owners, shareholders, and managers representing conflicts of interest is also directly related to current problems in the corporate governance structure. This is known as "farming" in the post-privatization business environment. Economic, legal, and social concerns connected to the development of "democracy" are still high in local joint stock businesses owing to problems that may be explained by a lack of corporate culture formation. In the current environment, changes connected to the general deployment of technology are substantial and strategic, and the implementation of a significant corporate governance structure necessitates large-scale investments. Such a significant and crucial source of cash for critical investment initiatives. The financing of securities is one of the classic directions. In the stock market, most joint stock businesses are in this position. Due to poor investor confidence, opportunities to draw capital in the direction of investor confidence are restricted.

The main factor influencing this is not only the financial and economic situation of enterprises, which affects the effectiveness of their activities, but also shareholders investing in the shares of issuing enterprises, particularly new ones, who face investment risks associated with the restriction of shareholder rights. One of the contributing elements is the imbalance of interests in the relationship between the CEO and the shareholders, which has an influence on the relative constraint of investment flows in joint stock businesses, particularly in the cotton sector.

According to some economists, the present relationship between shareholders and managers who possess a portfolio of shareholders is insufficiently transparent, and current regulation does not fully safeguard investors' interests. For instance, The Republic of Uzbekistan's corporate governance system is based on the underdevelopment of financial markets on the one hand, and the movement of shareholders against insider control with a high level of capital as the main technique defined by concentration on the other.

It is possible to establish an optimal corporate governance system in any business. However, because such a system is a massive vertically integrated corporation, the structures' capacity is rather high. There are favorable conditions to boost the efficiency of the management system in business entities based on corporate ownership. Almost all businesses in the fundamental sector of the economy have been turned into big vertically integrated organizational structures as a result of denationalization and privatization policies in Central Asia. This corresponds to a considerable share of the assets held by the total number of joint stock firms. It is also corporate since the state owns a large percentage of the structures and the state is trusted to select and designate trustees. The current situation of trustees reveals that their efficacy is influenced by the following factors:

The state in business in strategic industries and sectors, while its main goal is to ensure its participation, its interests are clearly defined.

Insufficient incentive mechanisms based on the results of effective management of assigned tasks.

Lack of competence, or staffing gaps and the basics, powers and responsibilities of corporate governance in existing staff, as well as factors such as a lack of professional knowledge and skills.

Existing flaws in the system namely the negative influence on the financial system, are addressed by taxes that reduce possible taxes and obligatory deductions. Further simplicity of the tax payment method, simply, tax security is required.

Basically, this is the economic situation in Central Asia, which is being serviced by the area at a time when substantial attention is being paid to integration stock trading, which also focuses on the formation of a stock market that will serve as the foundation for its development. Financial offer specialists and around the initial public offers in international practice between revenue management. Financial links between financial institutions are established. The new conduct of the stock placed on the stage is the relationship's pinnacle. Securities of joint stock enterprises are essential in developed nations since the practice of utilizing stock indices in financial assistance is separate. Stock indices based on specific criteria should be used in national practice as well. The quantity of profit, the volume of trade turnover, and the degree of capitalization should be used as the primary factors in this scenario. It is also vital to ensure compliance in the financing of company structures by combining real and financial sector activities through mutual capital exchange. Commercial banks or another distinct link in the charter capital of a real sector joint stock company holds a specific stake in this scenario. In turn, the real sector is a financial sector joint stock firm that holds shares, such as a commercial bank that owns a portion of the charter capital. Except for the exchange of capital between joint-stock firms in the sector, the real sector entity borrows from the financial sector entity. On the other hand, the financial sector, particularly commercial banks, manages the real sector entity's financial resources. The above-mentioned elements are often financial-industrial conglomerates. In this setting, the formation of financial-industrial organizations is critical.

6.3 Improvement of corporate governance in Central Asia

There are various steps to implementing corporate governance in Central Asian countries.

- Strategic and operational leadership must be separated. The transfer of operational business management activities from the firm owner (shareholder) to management allows the owner to concentrate on more ambitious strategic company development responsibilities.

- Organizing the Board of Directors' and management's work. An efficient corporate governance structure ensures that members of the Board of Directors and top executives are motivated in the best interests of the company's shareholders. The imbalance of interests in the direction of management, in general, has a significant impact on the company's overall financial outcome, because each individual manager is responsible only for his or her particular area of activity without understanding the broad picture.

- Financial and managerial transparency will be implemented. The company's operational reporting system, which was designed in accordance with international standards, allows it to "predict" its financial result before the end of the fiscal year and make the required decisions in time to obtain the optimal result. The company's management works "blindly" in the absence of worldwide reporting, and the owner sees an absolutely unexpected consequence of the company's work for a year.

-Identifying the variables that contribute to the company's worth Company executives must think like business owners, and their payment must be tied to their value-creating actions. KPIs are used to measure cost parameters such as capacity utilization, client retention rates, gross margins, warehouse costs, and shipping costs, for which they are responsible.

6.4 Research of the corporate governance framework and related practices of companies with example of Uzbekistan: Strengths and Weaknesses

Rated list of companies and banks in Uzbekistan on Research in Table 4 and all practices illustrated with ratings with spider diagram in Figure 6.

Rating:

“Acceptable” - The majority of corporate governance frameworks and related procedures are adequate, although some elements require additional improvement.

“Satisfactory” - The corporate governance structure and related company practices contain some good features, however, there are a few major flaws that suggest the system should be evaluated with a view to modification.

“Weak” - Although there are some components of good practice in the corporate governance framework and related practices of corporations, the system as a whole is in need of reform.

“Very weak” - The corporate governance scheme and related practices of corporations that are currently facing substantial risks, as well as the system, are in desperate need of reform.

6.4.1 Structure and Working of the Board: Weak/Very weak

The second level examines the reasons for the forced layoffs of the CEO and board of the organization. The key factor in the forced change of the leader is the effectiveness of management, expressed in the results of the organization's activities. The factors of the third level include the processes of corporate control: external, such as economic crises, changes in legislation and the level of competition, and internal - characteristics of the board of directors. If the CEO is a member of the board of directors, he may obstruct the decision about his dismissal. If the CEO is a member of the board of directors of the organization, the likelihood of his dismissal is reduced. If the general director has shares in the organization, the probability of a change of the general director is lower. The holding of shares in the organization by the CEO can lead to the ability to influence the decisions of the owners and reduce the likelihood of dismissal. The presence of shares in the management of the organization reduces the likelihood of changing the CEO. And board can react sharply to poor short-term results, which can lead to CEO firing.

According to the theory of the highest echelons, management performance depends on the observed characteristics of the CEO. Decision making by the CEO depends on his personal ability to perceive information, the decisions made ultimately affect the effectiveness of management.

The General Director in Uzbekistan is the person who makes strategic decisions regarding investments, production, resource allocation, entering new markets, and is responsible for the results of the organization's activities. The change of the head can have an ambiguous effect on the internal and market indicators of the organization's performance.

The change of the head means his dismissal, which leads to his resignation from the organization or resignation from the position of the CEO. Since the question of clarifying the factors and reasons for the change of the general director in the organization is fundamentally important for the purposes of the dissertation research, several levels of these factors are identified in the work.

The first level is the traditional division of the reasons for changing the head into voluntary and forced.

The second level involves the study of forced layoffs of CEOs of the organization. The key factor in the forced change of the leader is his effectiveness.

The third level factors include corporate control processes: external, such as economic crises, changes in legislation and the level of competition, and external - characteristics of the board of directors, ownership structure and “entrenching” of CEOs. Studying the factors of the third level gives a real idea of the mechanisms for changing CEOs.

The formed database of corporate-type organizations has value for the following reasons:

1) Today it is the largest database of observations on the change of general directors in Asia and Central Asia.

2) The sample was continuous, which makes it possible to draw conclusions for all Asian corporate type organizations.

3) When developing the corresponding algorithms, you can use the database to evaluate other corporate governance and control processes.

The collected database on the turnover of CEOs in Asian corporate-type organizations allows for a quantitative empirical assessment of what factors influence this rotation. Based on the analysis of descriptive statistics, it was revealed that only in less than 20% of the organizations in the sample, the CEO did not change. Organizations that have changed CEOs are characterized by higher assets, lower margins, higher sales growth, and higher long-term load.

6.4.2 Stakeholders: Satisfactory

The stakeholders that support excellent corporate governance and it should be better. Uzbekistan's only licensed stock market is the Tashkent Stock Exchange (UZSE). It has almost 135 companies listed (January 2020), but liquidity and trade are quite limited. The exchange maintains a webpage that provides some basic information about each issuer. This webpage is mostly informative however, it is occasionally incomplete. The initiative should involve a wide range of stakeholders, including representatives from line ministries, regional organizations, the private sector, civil society, and, when appropriate, international institutions. Those stakeholders who have little power but a lot of interest in the initiative should be involved as supporters/ambassadors in their area of interest/capacity. Stakeholders with a lot of power but little interest in project implementation will be notified on a regular basis in order to pique their interest in the project by keeping them informed about recent and future advancements. Through an effective Communication Strategy, design, develop, and implement relevant awareness programs and communication initiatives. The results of this Stakeholder Analysis will be utilized to construct and construct a Communication Strategy, which will include tactics for raising awareness, communication campaigns, and specific strategies for putting these strategies into action.

6.4.3 Rights of Shareholders: Acceptable

The transition to the third stage of development of corporate governance in Asia was caused by the need to attract external resources, which caused a demand for formal institutions. It is the quality of formal institutions of corporate governance, their compliance with international standards (regulating the process of making operational and strategic decisions, the activities of the board of directors, the role of major shareholders, respect for the rights of minority shareholders, settlement of conflicts, etc.) that was a key factor in the access of Central Asian companies to global markets and their exit for an IPO.

The need to interact with foreign partners entailed a whole range of measures. The basic principles of corporate governance recommended for all joint stock companies were established in the Code of Corporate Conduct and covered the rights of shareholders, composition of the board of directors, functions of the executive body, disclosure of information, supervision, etc. however, many organizations have implemented its principles.

In addition, in order to protect the rights of minority shareholders, the Government of some Central Asian countries adopted a roadmap for improving the corporate governance system, the key principles of which are as follows:

1) Transparency of the ownership structure of Central Asian public joint stock companies.
2) The level of protection of the rights and legitimate interests of minority shareholders (participants) of business entities when making transactions in which there is a conflict of

interest, during reorganization, an increase in the authorized capital and when significant blocks of shares are concentrated in the hands of the same persons.

3) Issues of control over the financial and economic activities of public joint stock companies and liability in cases of causing losses to business companies.
4) Protection of shareholders' rights to dividends and filing claims in the interests of the joint stock company and provision to members of the board of directors' joint-stock company the right of access to documents and information of legal entities controlled by the joint-stock company.

As in the countries of Asia, in Central Asia, the peculiarities of the formation of private property (the danger of raiding, the cost of maintaining property, low protection of shareholders at the initial stage) led to the emergence of specific mechanisms of corporate control, the prevalence of the insider option of owning a company with a combination of ownership and management rights.

6.4.4 Internal Control: Very Weak

A public corporation is generally viewed as an organization managed by CEOs and controlled by a board of directors on behalf of shareholders. Shareholders rely on internal and external corporate controls to resolve the agency problem arising from the separation of ownership and control. Internal corporate control refers to the control over the activities of management exercised by the board of directors as a supervisory and supervisory body. In general, internal control is aimed at assessing the effectiveness of interaction between internal stakeholders.

Internal control mechanisms: Share of managers in the share capital of managed corporations. The participation of managers in equity capital can smooth out the agency problem through convergence of interests. Linking the remuneration of managers with the state of affairs in the corporation. Establishment of remuneration for the general director depending on the performance of management.

Control by the board of directors of the corporation. The Board of Directors forms a strategic program for the development of the organization and controls the daily management.

Control by creditors, bankruptcy mechanism. The creditors of the organization, subject to non-fulfillment of obligations to them, may initiate bankruptcy proceedings.

Value orientations. Value orientations are a stable attitude of a person to something, fixed by life experience, a person's perception of objects, phenomena, behavior, etc.

Psychological maturity. Autonomy that a sense of reality and the ability to realistically assess factors, responsibility for the functions performed, a tendency to cooperate with others

Needs. A special internal feeling of a person's need, which determines his dependence on certain conditions and means of subsistence. Needs give impetus, guide, support and stop the individual's behavior

Risk attitude. An individual with a negative attitude to risk prefers less certain income to more uncertain.

Perception of reward. Matching the remuneration to the efforts made, as well as comparing the efforts and rewards with the efforts and rewards of others in similar work situations.

6.4.5 Transparency and Disclosure: Weak

There is an opportunity for improvement in both financial and non-financial disclosure. The Corporate Administration Code of Uzbekistan to be created on the premise of standards of reasonableness, responsibility, straightforwardness and duty would not as it were ensure the financial specialists against producing reports and unconcerned administration of resources by the company but too would diminish the taken a toll of capital to be pulled in as well as increment the capital advertise productivity in Uzbekistan, since presence of capital showcase productivity leads to working of "comply-or-explain" rule. The essence of the transparency:

1. Developed stock market
2. High disclosure requirements
3. Disclosure of information in a smaller (compared to the exchange model) volume
4. Corporations are created in the form of financial and industrial groups around the bank
5. High concentration of property
6. Significant role of the state
7. Disclosure of information once in a year

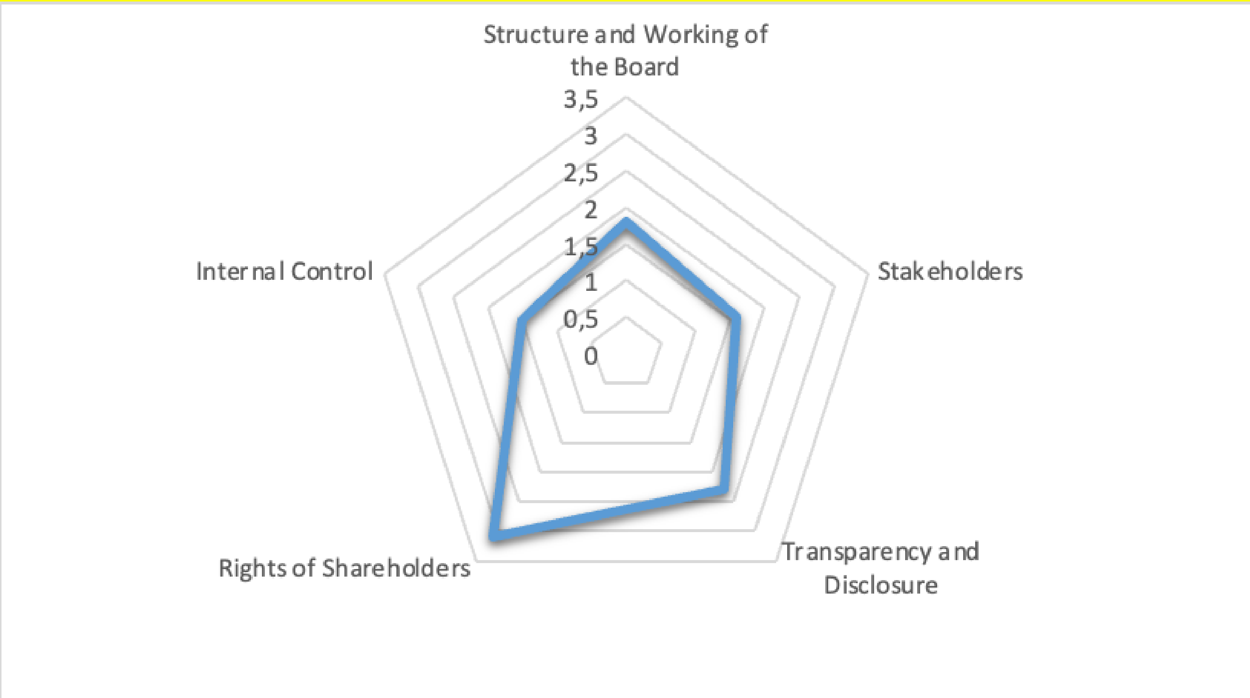

Figure 6. Uzbekistan's Corporate Governance Laws and Practices

CHAPTER VII: CONCLUSION

My research included a brief analysis of the field of corporate governance and its evolution and discussion of the idea of corporate governance and its application and development in Central Asia. It also analyzes corporate governance legislation and details critical measures done to build corporate governance standards.

While good governance cannot exist without strong corporate governance, the latter cannot take root unless the private sector and its key players, firms, become transparent and law-abiding corporate citizens. Understanding this connection should be one of the most important aspects of any impact of the firms. Recently, Central Asia authorities have become more aware of the importance of corporate governance standards and their impact on the economy as a whole and have taken steps to reform the corporate governance system as a result. As a consequence, The Kyrgyz government adopted a corporate governance training handbook by decree in July 1997, making it the first of all countries in the area to do so. The booklet emphasizes the need for effective corporate governance and includes a model business charter.

The world's largest firms, as well as Central Asian companies, have the same potential for analyzing the operations of national corporate structures and corporate governance processes. I could draw the following findings and make the following recommendations:

1. Capital authorization for newly formed business entities the importance of a low level of minimal needs cannot be overstated. Stocks in nations that issue large shares can be inferred that created by societies based on an examination of the conduct of the state shareholder. The practice of orders granting the right to acquire shares must be given special attention.
2. The following will be achieved through the rational implementation of dividend policy:
   - Attracting debt capital to raise capital through the placement of shares to ensure investment attractiveness in the context of relative cheapness serves.
   - Attracting free funds from the population and, in turn, middle-class owners as a result of the population increasing their income through stocks leads to the formation of a class.
   - When additional joint-stock businesses join in, the joint-stock company is protected.
3. Providing investors with full and timely information about joint stock firms plays a significant role in making them appealing for investment. It is advisable to include promotions and their payments in the reports in the form of an appendix to receive sufficient information about dividends from a wide range of investors in accordance with the applications of International Financial Reporting Standards for the current financial statement of earnings per share.
4. The development of agency operations requires an objective rating, which is part of the financial market's infrastructure. These rating agencies provide stock corporate governance in a system of complicated examination of society's operations, as well as evaluating and publishing performance ratings.
5. In terms of successful stock transaction organization, the sorts of activities that are widely employed in practice should be adopted in our country. In example, by securing the power to vote on a predetermined dividend, the cumulative practice of preferred shares is created.
6. When it comes to expanding the circulation of corporate bonds in national practice, it's important to keep an eye on the circulation of convertible bonds. Because convertible

corporate bonds are in circulation, there is an increase in the number of shareholders, which adds to the expansion of private capital in joint stock corporations.

7. Aside from strategically significant joint stock businesses, many issues in the issuing of shares by joint stock companies should be used to establish the practice of open placement of a certain part on the basis of law.
8. This is the economic situation in Central Asia, which serves the area at a time when substantial attention is being paid to stock market integration, as well as the formation of a stock market to serve as the foundation for its development.

It is apparent that putting the aforementioned conclusions and recommendations into practice will have a favorable impact on existing financial management challenges in the near future.

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