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THEORETICAL FRAMEWORK OF CORPORATE GOVERNANCE PRINCIPLES



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Abstract: *The complex concept of corporate governance includes several interrelated aspects: regulatory, legal, organizational, cultural, ethical and informational. Today, in modern corporate practice, a high level of development of corporate governance is one of the factors in increasing the investment attractiveness of companies. The level of quality of corporate governance affects decision-making on the possibility of investing in a company and affects its capitalization. The introduction of effective mechanisms and principles of corporate governance helps to increase the value of the company and the implementation of intra-company interests in the emerging national model of corporate governance.*

Keywords: *principles of corporate governance, model of corporate governance, corporate governance, OECD.*

ТЕОРЕТИЧЕСКИЕ ОСНОВЫ ПРИНЦИПОВ КОРПОРАТИВНОГО УПРАВЛЕНИЯ

Аннотация: Комплексное понятие корпоративное управление включает в себя несколько аспектов связанных между собой: нормативно-юридический, организационный, культурно-этический и информационный. На сегодняшний день в современной корпоративной практике высокий уровень развития корпоративного управления является одним из факторов повышения инвестиционной привлекательности компаний. Уровень качества корпоративного управления сказывается на принятии решений о возможности капиталовложений в компанию, влияет на ее капитализацию. Внедрение эффективных механизмов и принципов корпоративного управления способствует повышению стоимости компании, реализации внутрифирменных интересов в формирующейся национальной модели корпоративного управления.

Ключевые слова: принципы корпоративного управления, модель корпоративного управления, привлекательность компаний, ОЭСР.

KORPORATIV BOSHQARUV TAMOYILLARINING NAZARIY ASOSLARI.

ANNOTATSIYA: Korporativ boshqaruvning kompleks kontseptsiyasi o'zaro bog'liq bo'lgan bir qancha jihatlarni o'z ichiga oladi: tartibga solish, huquqiy, tashkiliy, madaniy, axloqiy va axborot. Bugungi kunda zamonaviy korporativ amaliyotda korporativ boshqaruvning yuqori darajada rivojlanganligi kompaniyalarning investitsion jozibadorligini oshirish omillaridan biri hisoblanadi. Korporativ boshqaruvning sifat darajasi kompaniyaga investitsiya kiritish imkoniyati to'g'risida qaror qabul qilishga ta'sir qiladi va uning kapitallashuviga ta'sir qiladi. Korporativ boshqaruvning samarali mexanizmlari va tamoyillarini joriy etish korporativ boshqaruvning rivojlanayotgan milliy modelida kompaniya qiymatini oshirish va kompaniya ichidagi manfaatlarni amalga oshirishga yordam beradi.

Kalit so'zlar: korporativ boshqaruv tamoyillari, korporativ boshqaruv modeli, kompaniyalarning jozibadorligi, IHTT.

Relevance of the article. Currently, the study of problems in one way or another related to corporate governance, as an important direction in the development of market relations and entrepreneurship in Uzbekistan, is among the interests of many national and foreign scientists and practitioners. Certain issues of corporate governance proper in enterprises are studied by many domestic and foreign specialists. The problem, however, has clearly not been studied enough. Many of its aspects, including basic ones, remain controversial and, therefore, require further, more in-depth and comprehensive research.

The purpose of this article is to determine the essence and foundations of national and international principles of corporate governance.

An analysis of the concept of "corporate governance" shows that it is based on the principle of an inextricable connection between the concept of management and the "corporation" itself.

A corporation is a membership-based organization and, accordingly, participation or membership is the main distinguishing feature of a corporation. The terms "participation" and "membership" characterize the legal relationship that mediates the relationship of the subject's affiliation with the internal structure of the organization. Participation (membership) is manifested in the implementation of the goals of participants (members) united in one legal entity, through their participation in the management of this legal entity.

In the "Principles of Corporate Governance" adopted by the Organization for Economic Cooperation and Development in May 1999 (as amended in 2004), corporate governance is understood as an internal means of ensuring the activities of corporations and control over them, including a set of relations between the board (management, administration) the company, its board of directors (supervisory board), shareholders and other interested parties. Corporate governance is a framework used to define a company's goals and the means to achieve those goals, and to control this process.

The main goals of corporate governance are to create an effective system for ensuring the safety of funds provided by shareholders and their effective use, reducing risks that investors cannot assess and do not want to accept, and the need to manage them

in the long term on the part of investors inevitably entails a decrease in the investment attractiveness of the company and its value shares"

The largest American institutional investor TIAA-CREF formulated the following definition: "Corporate governance is a set of mechanisms used to maintain an adequate balance between the rights of shareholders and the needs of the board of directors and management in the process of managing a company."

Having analyzed various definitions of corporate governance and applying them to a joint-stock company, the essence of corporate governance of a joint-stock company can be defined as:

- 1) activities of the management bodies of the joint-stock company;
- 2) the process of streamlining, regulating one or another activity of a JSC;
- 3) a set of relations between individuals or groups of people, including shareholders, based on the separation of property rights from management rights;
- 4) a system of organizational and property relations, including those related to shares;
- 5) purposeful influence on the behavior of people in the field of activity of the joint-stock company;
- 6) the form of implementation of corporate property relations of the JSC.

All participants in corporate relations have common goals, including:

- creation of a viable, profitable company that provides the production of high-quality goods and jobs, as well as having high prestige and an impeccable reputation;
- increasing the value of the company's tangible and intangible assets, increasing the price of its shares and ensuring the payment of dividends;
- gaining access to external financing (capital markets);
- gaining access to labor resources (managers and other workers);
- increase in jobs and overall economic growth.

At the same time, each participant in corporate relations has his own interests, and the difference between them can lead to the development of corporate conflicts. In turn, good corporate governance helps to prevent conflicts and, when they arise, to resolve them through established processes and structures. Such processes and structures are the formation and functioning of various governing bodies, regulating the relationships between them, ensuring equal treatment of all parties, disclosing appropriate information, maintaining accounting and financial reporting in accordance with proper standards

A good place to start when considering corporate governance best practices is to consider the principles of corporate governance that were originally developed by one of the world's largest institutional investors, the California Public Employees' Retirement Fund. Later, these principles were adopted as basic principles by the Organization for Economic Co-operation and Development (OECD), as well as the World Economic Forum. Ultimately, these principles were recognized as global principles of corporate governance.

For companies with state participation, in which corporate governance is not always at the proper level, the implementation of the principles of corporate governance described below will undoubtedly help increase their capitalization and, in general, economic efficiency.

There are only eight basic principles of corporate governance. They have a clear

form, tested by business practice. Let us reveal their contents sequentially.

The first principle is maximizing profits for shareholders. It's a simple principle: a company operates to achieve the greatest return for its shareholders. Moreover, the company must respect the interests not of any individual group of owners or management, but of all shareholders collectively. Our companies still operate not as corporations, but as enterprises. Priorities are shifted - managers believe that the purpose of their enterprise is to produce the best products in the world: airplanes, machine tools, cars, or something else. But shareholders are not at all interested in the best cars in the world. They want the money they invest to give them the best return in the world. Of course, part of this income will be spent not on consumption, but on long-term investment, on the development of production.

The second principle is openness. For shareholders, as well as regulatory authorities, it is necessary to disclose information about the company's finances, prepared in accordance with international accounting standards and audited by an independent auditor. This principle is observed somewhat better here. A number of companies have developed a need to have transparent, audited finances. There are several corporations in Uzbekistan with such a complex structure that their management itself is only able to use data obtained from an independent auditor, and as such reports are prepared, they are sometimes presented to shareholders.

The third principle is a transparent ownership structure of the company, this especially applies to management, affiliated structures and shareholders owning more than 5% of shares. Moreover, the ownership structure should be open to the final owner

The fourth principle is that ordinary shares vote according to the rule "one share - one vote"; we adhere to this principle. Another thing is that important decisions that shareholders must make are not always made at their level.

The fifth principle is that the board of directors is elected by the company's shareholders, and the board reports to them. The board also includes independent directors who are not managers of the company, what happens in Uzbekistan in compliance with this principle is difficult to understand. On the one hand, representatives of the board of directors are elected by voting at the meeting, and even, one can assume, they become those, who received the majority of votes. But, unfortunately, so far, as noted above, the second part of this principle is poorly implemented - the need to include independent directors on the board.

The sixth principle is that the incentive system within the corporation must correspond to the interests of shareholders. This means that the company's employees are its shareholders, or receive company shares as a bonus. If a manager makes decisions on which the position of the company depends, then his earnings should be directly tied to the capitalization of the enterprise.

The seventh principle is that corporations must comply with the laws of the countries in which they operate. With this point, the situation in Uzbekistan is relatively good; our laws are respected. Another thing is that the laws themselves are not written down strictly enough, and sometimes contradict each other.

The eighth principle is that governments and corporations maintain constant dialogue. The principles of corporate governance, on the one hand, and legislation, on the

other, must be in the process of constant mutual adjustment.

Conclusion

Thus, corporate governance is one of the current areas of management of modern joint-stock companies, which allows, by ensuring a balance of interests of various groups related to the development of the corporation, to achieve additional competitive advantages of development and, on this basis, to increase the level of financial, economic and, ultimately ultimately, social efficiency.

One of the areas of corporate governance is the development of a set of best practice recommendations, which is the Corporate Governance Code. Several large companies have already adopted their own codes. Basically, these are companies that want to create a positive image for the foreign investment community. To formulate an effective code, it is necessary that it meets the interests of all parties (owners, managers, employees, state) and is the result of their common consent. It is necessary to clearly delineate the functions of the owner and manager, define the range of tasks of the management system within the framework of delegated powers, create conditions and incentives for the consolidation of interests and mutual control of the activities of all parties. Timely and appropriate disclosure of information is one of the important tasks of corporate governance. It is very important to shareholders, investors, regulators and other stakeholders. With such information, shareholders are able to protect their rights, and other market participants are able to make reasonable economic decisions.

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