

METHODOLOGY AND PRACTICE TRENDS IN ASSESSING THE LEVEL OF CORPORATE GOVERNANCE OF JOINT-STOCK COMPANIES IN UZBEKISTAN THROUGH INTERNATIONAL RATINGS

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Abstract

This article examines the methodology and current practices in assessing the corporate governance levels of joint-stock companies in Uzbekistan, with a specific focus on international ratings. As the Uzbek economy continues to evolve, enhancing corporate governance is crucial for attracting foreign investment and fostering sustainable development. The article outlines the key indicators used in corporate governance assessments, including board structure, shareholder rights, and disclosure practices. It also highlights recent trends, such as the adoption of best practices, regulatory reforms, and the increasing importance of transparency and compliance with international standards. By adopting modern governance methodologies and integrating technology, Uzbek companies can improve their governance ratings and overall business operations. This study emphasizes the necessity of education and stakeholder engagement to overcome existing challenges in corporate governance and promote a robust governance framework.

Keywords: Corporate governance, joint-stock companies, Uzbekistan, international ratings, methodology, assessment practices, transparency, compliance, regulatory reforms, best practices.

Introduction

In recent years, corporate governance has gained significant attention across the globe, particularly in emerging economies like Uzbekistan. As joint-stock companies aim to attract foreign investment and improve their operational transparency, understanding corporate governance becomes paramount. One of the most effective ways to assess corporate



governance is through international ratings. These ratings provide a comparative measure of governance practices and help identify areas for improvement.¹

MAIN PART

The methodology behind corporate governance assessments typically involves analyzing various indicators such as board structure, shareholder rights, disclosure practices, and regulatory environment. In Uzbekistan, international entities like the World Bank, International Finance Corporation (IFC), and the Organization for Economic Cooperation and Development (OECD) have developed frameworks for evaluating corporate governance. These frameworks guide local companies in aligning their practices with international standards and improving their scores in global rankings. In the process of adopting foreign countries' methods of corporate governance, the mostly the attention is focused on the German model. In particular, the draft of codecs of corporate governance was formed in collaboration with German company Indecon Consulting in 2015. The year later, the codecs of corporate governance was accepted and introduced. The codecs is intended to serve as a collection of recommendations for all of joint-stock companies in the process of introducing international standards for transparent activities, increasing the responsibility of the directorate, strengthening the role of minority shareholders in enterprise management. Moreover, the subjects of corporate governance have been implemented to teach young specialists in order to disseminate fundamental theoretical knowledge and study of advanced foreign practice. For this purpose, new courses and workshops have been introduced on modern corporate governance at the Academy of Public Administration under the President of the Republic of Uzbekistan and have being run successfully. In addition, the German Federal Ministry of Finance has organized the recent trip study project to the representatives of the Academy and the State Committee on Competition. Its purpose was to study the experience of Germany's the corporate governance and regulation of state-owned enterprises.

In terms of trends, there has been a noticeable shift towards adopting best practices in corporate governance among Uzbekistan's joint-stock companies. Many companies are beginning to implement policies that promote transparency and accountability. For instance, the introduction of independent board members and varied expertise in management teams has enhanced decision-making processes. Furthermore, the emphasis on stakeholder engagement has led to a more participatory approach, which is crucial for long-term sustainability. Hundreds of papers and dozens of books have been written about corporate governance in the last few years. But we become evidence that only a counted number of English papers and books describing the state and problems of corporate governance in the independent Uzbekistan have been written at all. One of the first surveys was conducted by Harry G. Broadman (1999) on behalf of the World Bank. In his paper "Competition, Corporate Governance and Regulation in Central Asia: Uzbekistan's Structural Reform Challenges" he identifies one of the six policy challenges for Uzbekistan that the corporate governance incentives to instill strong competitive

¹ Saidakhmedova, A. M. (2024). Corporate Governance in Joint-Stock Companies: Challenges and Opportunities for Adopting International Standards. Development of International Entrepreneurship Based on Corporate Accounting and Reporting According to IFRS: Part A, 57-64.



discipline on firms" performance and to engender effective separation between government and business, especially in state owned "associations" and related holding groups are blunted. He also finds that the lines of authority for corporate governance are ill-defined and there is little discipline on corporate performance and little separation between government and business, and gives the suggestions on strengthening incentives and institutions for corporate governance and bringing them in line with international practice. Another early study by Alexandr V. Akimov (2001) more or less examines the capital market as a corporate control mechanism in the shadow of Uzbekistan's financial system.

Additionally, the importance of compliance with international governance standards has sparked a wave of reforms in Uzbekistan. Initiatives to strengthen regulatory frameworks have been introduced, aimed at bolstering investor confidence. For instance, legal frameworks are being revised to protect minority shareholders and ensure their rights are respected. This is a significant step, as strong shareholder protection is often a determinant in international governance ratings and influences investment decisions.

Moreover, transparent reporting practices have become a focal point for Uzbek joint-stock companies. Organizations are increasingly adopting international financial reporting standards (IFRS) to ensure that their financial disclosures meet global expectations. This shift not only enhances the credibility of the financial data provided but also serves to build trust among investors and stakeholders alike. Companies are now more aware than ever that detailed and accurate reporting reflects positively on their governance assessment.²

Despite these positive trends, challenges remain in the corporate governance landscape of Uzbekistan. Cultural factors, limited awareness of governance practices, and a historical focus on state ownership can hinder progress. Many joint-stock companies still grapple with legacy practices that do not align with modern governance expectations. Educating stakeholders about the value of good governance is an essential step toward overcoming these challenges and fostering a governance culture that drives corporate success.³

Another trend in corporate governance assessment is the integration of technology. Digital transformation is reshaping how companies operate and report on their governance practices. The use of data analytics allows for real-time monitoring of governance-related metrics, helping companies quickly adapt to changing best practices. Additionally, the rise of platforms for stakeholder feedback has made it easier for companies to understand their governance performance from the perspective of those affected by their operations.⁴

CONCLUSION

In conclusion, the assessment of corporate governance in Uzbekistan's joint-stock companies through international ratings has become a crucial practice in enhancing the business

² Sherkuzieva, N., & Omonov, S. (2020). THE CURRENT STATE OF DIVIDEND POLICY IN JOINT-STOCK COMPANIES IN UZBEKISTAN AND ITS DEVELOPMENT WAYS. *International Finance and Accounting*, 2020(5), 16.

³ Makhmudov, S. B., & Umarchodjaeva, M. G. (2024). Importance of Modern Corporate Management in Large Joint-Stock Companies with State Participation. *American Journal of Public Diplomacy and International Studies*, 2(9), 29-37.

⁴ Bakhtiyarovich, A. U. (2021). The effects of corporate governance on economic growth through financial sector development: An empirical study in case of Uzbekistan.



environment.⁵ As companies continue to evolve, adopting better governance practices will not only improve their ratings but also foster sustainable economic growth. By leveraging these international methodologies and embracing ongoing reforms, Uzbekistan stands at the brink of a corporate governance revolution that can significantly enhance its attractiveness as an investment destination.

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