ADVANCED PRACTICES AND MODELS OF CORPORATE GOVERNANCE

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Abstract. *The article examines the role of corporate governance in the development of the national economy, foreign experience of corporate governance, the peculiarities and differences of different models, modern corporate governance, trends in corporate governance in the world and some recommendations.*

Keywords: *joint-stock company, corporate governance, corporation, modern corporate governance, shareholder, Anglo-American model, German model, Japanese model.*

Introduction

Today, the essence of modern corporate governance in joint-stock companies is very important, as the principles and models of corporate governance greatly contribute to the processes of efficiency and high profit in joint-stock companies. Therefore, our government is developing various decisions, projects and programs for the development of current sector. By the Decree of the President of the Republic of Uzbekistan "On the development strategy for the further development of the Republic of Uzbekistan" dated January 28, 2022 No. PF-60, aimed at further increasing the well-being of people, transforming economic sectors and rapidly developing entrepreneurship, unconditionally ensuring human rights and interests, and forming an active civil society in order to determine the priorities: "Development strategy on seven priority directions of development of New Uzbekistan in 2022-2026 was approved[1]. In this programmatic document, the main tasks to be implemented in the next few years in 7 areas were defined. Including increasing the competitiveness of the national economy for further development and it’s liberalization, continuing institutional and structural reforms to reduce state participation in the economy, protecting the right to private property and further strengthening its priority position, encouraging the development of small business and private entrepreneurship, improving the investment environment it was noted that it is necessary to actively attract foreign investments to the sectors and regions of our country's economy, and a number of measures are being implemented in this direction.

The participation of joint-stock companies in the development of the national economy, increasing its competitiveness and activating international integration is increasing. Especially in the current period of improvement of market relations and rapid changes, effective financial and economic activity of joint-stock companies cannot be ensured without a carefully worked out financial policy and a mechanism for its implementation. This is one of the most important aspects of effective corporate governance in joint-stock companies.

Importance and necessity of improving corporate governance in order to fundamentally increase the efficiency of joint-stock companies, attract foreign direct investment to enterprises, ensure their openness and attractiveness for future investments, introduce modern corporate governance methods, and strengthen the role of shareholders in the strategic management of enterprises is increasing [2].

Literature review

Nowadays, there is no single definition of corporate governance in the world. Various scientific studies and researches have been conducted in corporate governance, as a result of which different definitions of corporate governance have been formed. These definitions mainly depend on the legal situation of the country or the views of the authors.

Sir Adrian Cadbury, one of the first foreign authors, who gave the following definition to corporate governance in the his report "Committee on Financial Aspects of Corporate Governance" in 1992: "Corporate governance (see Corporate Governance) is a system of managing companies and controlling their activities"[3].

American economists R. Monks and N. Minou, who are considered pioneers in the field of corporate governance, interpreted corporate governances "the relationship between various participants (chief executive officer, management, shareholders, employees) in the process of determining the direction of development and performance of the corporation" [3].

Economist of our country M.B.Khamidulin's definition explains, "Corporate governanceis the conscious, direct participation of the owners of the corporation in the formation of the capital of the corporation, its more effective use for the purpose of profit, and the determination, definition and adoption of strategic important decisions aimed at the fair distribution of the received income among all participants of corporate relations” [4].

D. Suyunov explained corporate governance such as "Corporate governance is a set of activities carried out to achieve the goal of the enterprise on the basis of certain principles of management based on the applicable legal norms, regardless of the form of ownership"[5].

According to A.A. Hashimov's definition, "The main content of corporate governance is the balancing of the interests of various persons involved in the activities of the joint-stock company"[6].

In our country, well-known economists B.Yu. Khodiev, S.S. Gulomov, K.Kh. Abdurakhmonov, B.B. Berkinov, N.Q. Yoldoshev, D.N. Rakhimova, M.L. Tursunkhodjaev, Sh.N. Zaynutdinov, J.A. Fattakhova, A.A. Khoshimov, R.I. Nurimbetov, M.B. Khamidulin,
D.Kh. Suyunov, Sh.G'. Yuldashev , D.B. Begmatova, M.M. Ziyaeva and others [7] studied in their work.

A corporation is a partnership-based organization established for the purpose of continuous operation through the voluntary pooling of capital by individuals and legal entities, management functions are assigned to hired professional managers, relations in the corporation are regulated by internal administrative rules and collective decisions, not contradicting the relevant legislation of the country, and the personnel of the corporation, in general , is an organization that serves to improve the standard of living of the society [8].

In our opinion, it is necessary to pay special research attention to the issues of formation of corporate motivation of personnel in order to correct this definitions and achieve corporate governance of more personnel and higher economic indicators.

The corporation as an economic institution has the following main features:

- It is an association of economically based producers, owners, and is a legal entity with the right to independently sell and buy, attract credit funds, and enter into contractual relations in the interests of the corporation;

- The property of the corporation is shown in the form of the sum of the shares and production capital invested in it;

- Shareholders have the right to control the activities of corporations that are considered owners;
- Directors and managers of the corporation have the right to make decisions on relevant issues;
- All investors of the corporation have financial responsibility in the amount of their investments[9].

In our opinion, the above features require clarification, that is, the corporation is an economic unit that produces material and immaterial goods to meet the needs of society, and its economic indicators directly affect the standard of living of the members of the corporation and the population in general. It is for this reason that the corporation and the corporate governance system serving its efficiency should be considered as an economic category[10].

Modern corporate governance is a specific system of relations between the organization's management, its shareholders and the board of directors. Its main purpose is to exercise control over corporate activity [3]. Modern corporate governance enables the implementation of the development strategy and goals of the joint-stock company based on international standards, ensures the financial strength of the joint-stock company and its long-term operation as a profitable company, and also helps to increase the competitiveness of the country.

Modern corporate governance covers the system functioning in foreign countries, the content and essence of foreign standards, state participation, development trend of the practices in the countries of the world and in digital economy.

Research methodology

The basis of the research methodology is the systematic analysis of the practices and models of corporate governance, the materials on the analysis of selected literature. Also, scientific research methods such as generalization, grouping, comparison, analysis and synthesis are widely used in the research process.

Analysis and results

Today the studies of mature and modern experience and formed skills in the practice of corporate governance is one of the urgent issues. There are various models of corporate governance in practice around the world. Each country forms a corporate governance model based on its own characteristics. All corporate governance models in the world are based on three basic different models.

Corporate governance is a concept that represents the system of interactions between managers, the board of directors, shareholders and individuals interested in the governance of the company. Such a system affects not only the income of the founders, but also the future investments of the company.

The above-mentioned ***Anglo-American or outsider model*** is a governance model of a joint-stock company based on the use of external market mechanisms of a high level of corporate control over a joint-stock company or control over the management of a joint-stock company. Such a governance model is typical for countries such as the United States, Great Britain, Canada, and New Zealand. In this case, the interests of the shareholders are manifested in a unique large number of investors who exist depending on the governance of the joint-stock company. The real governance of the joint-stock company is carried out by professional managers. The main problem in the application of this model is the problem of mutual relations between the founders of the joint-stock company and the involved managers. In such circumstances, the role of the stock market, which plays an important role in the implementation of control over the management of the joint-stock company, will certainly increase. The main participants are managers, directors (board of directors) and investors. Also participating are consulting firms providing corporate governance and fiduciary voting advisory services to government entities, stock exchanges, self-regulatory bodies, corporations and investors.

Among the countries that implement the Anglo-American model of corporate governance, the United States has the strictest standard of information disclosure.

Other countries that use this model also have a high level of transparency, but in the United States, corporations must publish various information once a quarter. Also, the following information should be included in the annual report or the annual general meeting of shareholders:

The following are included in the main principles of the Anglo-American model of corporate governance:

- ✓ separation of property and liabilities;
- ✓ separation of property rights and control of the corporation;
- ✓ a sufficient condition for "promoting the welfare of a joint-stock company": wealth-maximizing behavior;
- ✓ maximizing the market price of shares is maximizing shareholder wealth;
- ✓ all shareholders have equal rights;

Outsider (foreign) model - the use of a joint-stock company in the foreign market at a high level or corporate control mechanisms is a control model.

The continental (German) or insider model is a governance model of joint-stock companies, with priority given to the use of internal methods of corporate control or self-control methods. "The German model of corporate governance is typical of Central and Western European countries (Germany, Holland, Switzerland, Austria, Norway, Scandinavian countries, Belgium and France). It is based on the principle of social interaction: all interested parties (shareholders, managers, employees, banks, public organizations) have the right to participate in the decision-making process of a joint-stock company. The German model is characterized by a weak focus on stock markets and shareholder value in management, as the company controls its own competitiveness and performance"[11].

"The formation of this model was influenced by a number of objective and subjective factors. Among them, first of all, it is necessary to single out the high level of concentration of share capital, which ensures the leading role of banks in making corporate decisions and is characterized by the placement of their shares in a relatively small part of private investors. For example, in large companies, more than 40% of shares belong to 5 large shareholders. Accordingly, the stock market in Germany is somewhat less liquid than in the United States and Great Britain. For this reason, the continental model is characterized by a somewhat higher level of ownership concentration and the presence of strategic investors with blocked share packages in which banks play the main role. In recent years, the influence of foreign investors on management based on the German model is increasing.

The Anglo-American and German models of corporate governance represent two mutually conflicting systems that reflect the national characteristics of a particular country and consist of many options based on the leading priorities of one or another system. The development of a particular model of corporate governance within the national economy depends mainly on the following three factors:

- a mechanism for the protection of shareholders' rights;
- functions and duties of the board of directors;
- disclosure level.

The Japanese model of corporate governance was formed after the Second World War on the basis of financial-industrial groups (keiretsu), influenced by the country's political-economic conditions, culture and traditions, and is characterized by a completely closed system based on bank supervision, which allows to reduce the problems of managers' control.

The Japanese model of corporate governance is multilateral and is structured around a core (leading) bank and a financial-industry group (chain) or keiretsu. “The main bank and keiretsu are two different but complementary elements of the Japanese model. Virtually all Japanese corporations have close relationships with their parent banks. The bank provides loans to its corporate clients, issues bonds, shares, and provides services for maintaining account numbers and providing consulting services.

This model is characterized by the accumulation of a large part of the property in the hands of large and medium-sized shareholders who own shares in the companies included in the "keiretsu". That is, 70% of the shares of joint-stock companies belong to financial institutions, but the monitoring of the company's activity is carried out not only by their shareholders, but also by the main bank, which is considered a major creditor. Typically, a keiretsu is organized around a single large bank that can provide financing for all companies in a financial-industrial group. [12]

Boards of Japanese corporations are larger than those in the US, UK or Germany, with an average of 50 members. If the corporation's profits decrease over a period of time, the main bank and keiretsu members can fire the directors and appoint their own candidates. Another custom typical of the Japanese state is the inclusion of retired heads of various ministries and agencies on the board of directors of a corporation. For example, Japan's Ministry of Finance may appoint a retired executive to a bank's board of directors. In the Japanese model, the composition of the board of directors depends on the financial condition of the corporation.

As a result of changes in legislation in the country in recent years, the Japanese model of corporate governance began to have a negative impact on effective development. The reason is that, as a result of the increase of foreign institutional investors in the country, Japanese companies began to focus more on the market, shareholders, and, moreover, on the Anglo-American model.

The family based model of corporate governance is widely spread in all countries of the world (mainly in Asian and Latin American countries, Canada, Sweden, Italy and France). In this case, the governance of the corporation is carried out by members of the same family. Corporate capital is concentrated and distributed through family channels, and control over the movement of the corporation's business and financial resources rests entirely with the family (for example, the Wallenbergs in Sweden, the Agnellis in Italy, the Bronfmans in Canada, and the Li Kai Shi dynasty in Taiwan). In some cases, family businesses may involve investors, but they will not have much of a voice in corporate governance. Such shares may also be issued through a public offering. If all the shares of a joint-stock company are owned by one voter, then family-owned shares offer additional advantages (for example, exceptional rights in the election of board members). Such an instrument allows controlling the activities of a joint-stock company even without having a large shareholding. According to some researchers, family companies represent an outdated method of capital accumulation and are not considered an effective form of business management. However, data shows that family companies account for 45% to 75% of GDP in industrialized countries . In addition, family companies tend to be in business for a longer period of time compared to companies with a large number of owners. [13]

In world practice, the experience of the existing four models of corporate governance in joint-stock companies differs from each other in terms of their specific features in their application and the mechanism of their implementation. Based on the conducted research, a comparative analysis of the advantages and disadvantages of the use of these models was carried out, and the result was expressed in the following table:

Corporate governance models advantages and disadvantages

Anglo-American model	**continental European model**	**Japanese model**
	Advantages	
➢ A high level of personal savings is attracted through the stock market; ➢ Investors are directed to areas with high returns; ➢ The main purpose of the business is to increase the profitability of the company; ➢ Information transparency of companies will be high.	➢ Low cost of invested capital; ➢ Investors are focused on long-term goals; ➢ High level of stability of companies; ➢ Management and control functions are clearly separated.	➢ Raising capital is cheap; ➢ Capital is directed to long-term goals; ➢ Companies strive to be highly competitive; ➢ Companies stability is high.
	Disadvantages	
➢ attraction done to capital high dividends to pay; ➢ stock market of assets real value broke to show; ➢ Management and control functions sure not separated.	➢ role of the stock market is external control tool as unimportant ; ➢ minority of shareholders rights less attention is given; ➢ information transparency low for investments done increase difficult;	➢ investments done increase complicated; ➢ investment of income lack of and of the bank absolute dominant; ➢ of companies information low transparency; ➢ minority of shareholders rights less attention is given.

Studies show that none of the above-mentioned models of corporate governance, unique to joint-stock companies, have priorities that stand out from others, and none of them can be said to be universal. On the contrary, the situation in the last decade shows that it is typical for all leading countries in the world to mix different systems of corporate governance.

At the same time, the effective organization of corporate governance in joint-stock companies not only contributes to the development of their activities, but also increases the volume and movement of cash flows, provides additional value growth by reducing the cost of capital invested in investment projects, and increases the development, international integration and competitiveness of the national economy. also has its effect. [14]

This increases the need to apply advanced foreign practices of corporate governance in joint-stock companies. In this case, the accumulation of certain experiences in corporate governance in our country, the creation of necessary conditions for practice, indicate that there are necessary elements for the implementation of advanced foreign experiences in this regard.

Summary

In order to improve the practice of corporate governancein joint-stock companies, it is desirable to implement the following:

1. Attracting highly qualified and experienced experts from abroad in the corporate governance of joint-stock companies, using their suggestions and experiences in practice to improve the corporate governance system, improving the professional level of experts in the implementation of the corporate governance system in accordance with international standards in our country, corporate governance culture, ethics, psychology and skills should be formed.

2. In the corporate governance of joint-stock companies, it is necessary to ensure full and regular implementation of the concepts of capital value, capital composition, value of money per unit of time, and the interdependence of profitability and risk level in the careful development of financial policy and the provision of the financial basis for its implementation.

3. To achieve an increase in resistance to free competition in the international market on the basis of ensuring their access to the foreign capital market by ensuring the entry of joint-stock companies of our country to foreign prestigious stock exchanges (IPO), in which organizational-legal, technical-economic, informational and it is appropriate to develop the basis and mechanism for personnel supply.

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