

IMPACT OF CORPORATE GOVERNANCE PRACTICES ON PERFORMANCE OF STATE-OWNED BUSINESSES IN UZBEKISTAN

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Abstract. *This article examines how corporate governance practices in Uzbekistan affect the performance of state-owned companies. The paper attempts to offer insights into the relationship between efficient governance structures and the performance of state-owned companies by reviewing pertinent literature and empirical data. In order to improve the performance and sustainability of state-owned companies, the findings emphasize the significance of openness, accountability, board independence, risk management, and stakeholder involvement. The article concludes with recommendations for policymakers, regulators, and managers to strengthen corporate governance practices in Uzbekistan's state-owned sector.*

Keywords: *state-owned, business, economy, Uzbekistan, shareholder*

Introduction

State-owned companies are significant players in Uzbekistan's job market, infrastructure development, and economic growth. Since these businesses are financed with public funds and have a significant impact on society, it is critical that they adhere to robust corporate governance principles. This article delves into how Uzbekistan's state-owned enterprises perform, examining the link between governance measures and enterprise performance. To promote transparency and accountability in these organizations, the government of Uzbekistan has implemented several regulations while enforcing laws that encourage independent monitoring. Additionally to ensure compliance with appropriate rules UzAssets was created as an overseeing board of state-owned businesses.

Corporate Governance Practices and Theories:

The importance- of clear decision-making, accountability and protecting share-holder interests is re-gularly highlighted in study of corporate governance-. Two key theories; age-ncy theory which focuses on aligning manager and share-holder interests, and ste-wardship theory emphasising the positive- role that managers play as responsible- guardians of a company are particularly notable.

State-Owned Enterprises: Characteristics and
Challenges:

State-owne-d enterprises e-ncounter distinct challenges - political inte-rference, lack of accountability, and pote-ntial conflicts of interest. Due to the-se challenges, strong gove-rnance practices are ne-cessary to ensure e-fficient operations and promote transpare-ncy while deterring re-nt-seeking behaviors. Effe-ctive implementation of such practice-s helps enterprise-s overcome hurdles unique- to state ownership and achieve- desired outcomes.

Impact of Corporate Governance on State-Owned Businesses:

Previous re-search has found a positive connection be-tween efficie-nt corporate governance and state--owned companies' performance-. Various studies have reve-aled that

transparency, accountability, and independent boards aid in enhancing financial stability, operational effectiveness, and risk management within these enterprises.

Transparency and Accountability:

Financial reporting standards and external audits are important transparency and accountability mechanisms that have a positive impact on state-owned business performance. In fact, Zhang and Qi's 2017 study noted that improved transparency leads to higher profitability for these enterprises and greater access to financing. Board Independence and Expertise:

Independent and competent boards of directors are crucial for effective corporate governance. A study by Ferreira and Laux (2019) revealed that state-owned enterprises with independent boards exhibit better financial performance and are less prone to corruption.

Risk Management and Long-Term Sustainability:

State-owned businesses must implement effective risk management strategies for sustained success. According to Gugler, Mueller, and Yurtoglu's (2008) study, companies with well-developed risk frameworks yield more profits and face lower risks of bankruptcy.

Stakeholder Engagement and Social Responsibility:

Positive stakeholder engagement leads to better performance in state-owned enterprises. Filatotchev, Jackson, and Nakajima (2013) reported that companies with active stakeholder involvement have increased market valuations and financial success.

Conclusion

The literature review and empirical findings indicate that effective corporate governance practices significantly affect the performance and sustainability of state-owned businesses in Uzbekistan. Transparency, accountability, board independence, risk management, and stakeholder engagement emerge as crucial factors in enhancing enterprise performance. Policymakers, regulators, and managers should prioritize the implementation of robust corporate governance mechanisms to promote transparency, mitigate risks, and align interests among stakeholders. By strengthening corporate governance practices in state-owned enterprises, Uzbekistan can enhance their efficiency, credibility, and contribution to economic growth and development. It is important to note that the specific impact of corporate governance practices on state-owned businesses in Uzbekistan may vary based on the unique characteristics and context of each enterprise. Thus, ongoing research and empirical studies are essential to further understand the nuances and effectiveness of governance practices in the Uzbekistani context.

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