



THE MAIN FEATURES OF CORPORATE GOVERNANCE EFFICIENCY: SOME EMPIRICAL EVIDENCE

KURBONOV JAVLONBEK JURABEKOVICH

Abstract

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In this article, there was main features of the activities of joint stock companies (JSCs), the theoretical and economic foundations of financing JSCs through shares, was analyzed the current state of financing JSCs through shares in the Republic of Uzbekistan, was described the priority directions of financing JSCs through shares, and also developed scientific and practical conclusions. And also focused on Corporate governance of JSC.

Author correspondence:

KURBONOV JAVLONBEK JURABEKOVICH

Associate professor, Doctor of philosophy in economical sciences, Corporate finance and securities, Tashkent Institute of Finance, Tashkent, Uzbekistan

Email: moliyachi@gmail.com

INTRODUCTION

From the first years of independence, extensive work has been carried out in our country to form the national stock market and make it the basis of capital movement. The legal framework and infrastructure for the formation and development of the stock market have been fully created. However, it should be noted that the country's national stock market today is not able to fully fulfill its important function of allocating and redistributing monetary resources, effectively attracting investment. That is why the development of the national stock market is one of the priorities today.

Five priorities for the development of the Republic of Uzbekistan in 2017-2021, adopted in order to further increase the effectiveness of reforms in the country, to create conditions for the comprehensive and rapid development of the state and society, to modernize and diversify the economy and liberalize all sectors of society The Action Strategy identifies the development of the financial market in the country in the medium and long term, the active attraction of foreign investment, primarily foreign direct investment, in the country's economy as one of the main directions. The fulfillment of these tasks shows the need to improve the financing of investment activities in Uzbekistan through the stock market.

In Uzbekistan today, joint stock companies are the main participants in the stock market and exchange trading, based on the fact that the stability of their activities, in turn, plays an important practical role in improving the efficiency of the stock market. In the world practice, the leading stock exchanges continue to operate, and their reforms are contributing to the further development of stock exchanges. "Currently, there are three markets in which



securities are used to finance the economy: over-the-counter, stock (stock) and street". However, given that all three markets have the same commodity quotations, which can be called "stock values", the concepts of "stock market" and "stock market" are very similar.

LITERATURE REVIEW

Regulation of the financial market plays a special role in the development of the economy and improving the functioning of the financial market. I. Atiyas and H. Ersel, two foreign scholars on financial market regulation, have conducted research on the existence of "x-post" and "x-ante" forms of government regulation. According to R. Francioni, J. Fraser and A. Heckmeister, the main purpose of financial market regulation is to ensure financial stability. In this regard, one of the important conditions for stability is the infrastructure system operating in the financial markets. Every analysis of financial markets should, of course, take into account the rules of the infrastructure of that financial market. According to A.Pakkes and D.Heremans, financial markets cannot function perfectly mainly due to data imbalances. Data imbalances indicate the need to regulate financial markets, and solutions for this are mainly provided by financial participants or the government. may require intervention. The government may decide to select companies with an effective state share for the listing of shares, thus ensuring that large amounts of investment in the stock market are directed to efficient companies.

J.Makey, M.Ohara, D.Pompilio point out that from an economic point of view, listing requirements can be divided into two analytical categories. The first category includes rules that serve the interests of listing companies to ensure the profitability of the exchange, as companies that make a profit on a regular basis benefit from a constant quote on the stock exchange. The second category is designed to protect the reputation of the listed trading platform. According to S. Chaplinsky and L. Ramchand, compulsory delisting occurs because companies do not meet established standards, and in most cases, it occurs because companies perform poorly. As I. Martinez, S. Serve, and K. Jama argue, an analysis of the causes of delisting in terms of cost savings leads us to identify two different levels of delisting. In the case of voluntary delisting, firms face an increase in listing costs, while in the case of forced delisting, firms are no longer able to manage their costs. These differences mean that it is important to consider the economic consequences of delisting.

Uzbek economists have also conducted research on financial market regulation. In particular, according to a team of researchers led by S. Elmirzaev, mega-regulators and macro-regulators are widely used as external mechanisms of financial market regulation.

ANALYSIS AND RESULTS

Gradual reforms in Uzbekistan are the basis for the development of the stock market, as well as in other areas. Its development laws and characteristics are based on the development model chosen by Uzbekistan, which belongs to the transition period. The role and functions of stock market assets play an important role in modernizing production, attracting investment and ensuring industrial growth, which are identified as priorities for further development of the Uzbek economy. It is known from world practice that stock market assets are an effective mechanism for attracting investment to ensure the international



competitiveness, security and stability of the national economy, to modernize the real sector, to stimulate sustainable growth in production and the economy as a whole.

In this research, the stock market turnover is considered to be an investment in securities, the capitalization rate is taken as a factor of market capacity, the number of shares sold is taken as a factor of market activity, and the issue is considered as a factor of market expansion. Although the volume of foreign investment in the Uzbek economy has been growing, its share in the stock market remains low. At the same time, large state-owned shares in privatized companies are being sold through the primary market to strategic foreign investors on the basis of investment obligations. Through the secondary market, such investors increase their shares in companies at the expense of domestic investors (individuals and legal entities). This means that the national stock market does not meet the requirements of the state's active investment policy. This requires the gradual comprehensive development of the stock market within the framework of macroeconomic policy of the state.

Table 1

Top-10 Listing Companies in RSE "Tashkent" in 2022

ISIN	Market	Issuer	Currency	Nominal value	Number of transactions
UZMK UZ7021720006	STK	Uzmetkombinat JSC	UZS	5 000	1 010
KVTS UZ7025770007	STK	Kvarts JSC	UZS	1 715	801
URTS UZ7043200003	STK	O'zRTXB JSC	UZS	630	707
HMKB UZ7011340005	STK	Hamkorbank JSCB	UZS	5	690
QZSM UZ7029000005	STK	Qizilqumsement JSC	UZS	1 570	596
AGM1 UZ700055K015	STK	Olmalik KMK JSC	UZS	3 914	390
SQBN UZ7037560008	STK	O'zsanoatqurilishbank JSCB	UZS	19	368



IPTB UZ7054570005	STK	Ipoteka-bank JSCMB	UZS	1	274
UVCM UZ7016460006	STK	Uzikkilamchirangli metall JSC	UZS	2 634	224
CBSK UZ7038380000	STK	Chilonzor buyum savdo kompleksi JSC	UZS	1	163

As investors, legal entities showed the highest interest in the shares of joint-stock companies belonging to the financial sector (54.8%) and the agro-industrial complex (33.4%). In addition, the volume of investments in securities by individuals in the reporting period amounted to 24.8 billion soums and accounted for 36.3% of total exchange turnover.

In 2021, the total market capitalization of issuers included in the list of stock quotes increased significantly from the beginning of the year to the end of February, from 55.14 trillion soums to 113.30 trillion soums. This increase was due to an abnormal increase in the price of ordinary shares of Universal Insurance JSC (UNSU). The share price of ordinary shares of Universal Sugurta JSC at the trading floor of the Main Department of the RSE "Tashkent" was 1.05 soums on February 1, then increased rapidly, and on February 26 the share price was 0.01 soums at face value. reached 21.55 soums for one. Capitalization began to decline gradually in mid-March, reaching 62.43 trillion soums on 31 March. In April-November 2021, there are small fluctuations in the market capitalization of issuers, a stable situation and the price range will range from 59.77 trillion soums to 72.31 trillion soums. From November 25 to December 14, there was also an increase in total capitalization. During this period, the price range amounted to 78.13-95.85 trillion soums. The main factor in the increase was the increase in the share price of Universal Sugurta JSC from 3.98 soums on November 22, 2021 to 14.40 soums on December 2, 2021. On December 15, "Universal Sugurta" JSC was voluntarily removed from the list of quotations of RSE Tashkent by the decision of the general meeting of shareholders. As a result, the capitalization has decreased to 58.96 trillion soums. At the end of 2021, the total market capitalization of issuers included in the list of exchange quotations amounted to 56.20 trillion soums, which is 50.4% less than the maximum in 2021 (113.30 trillion soums).

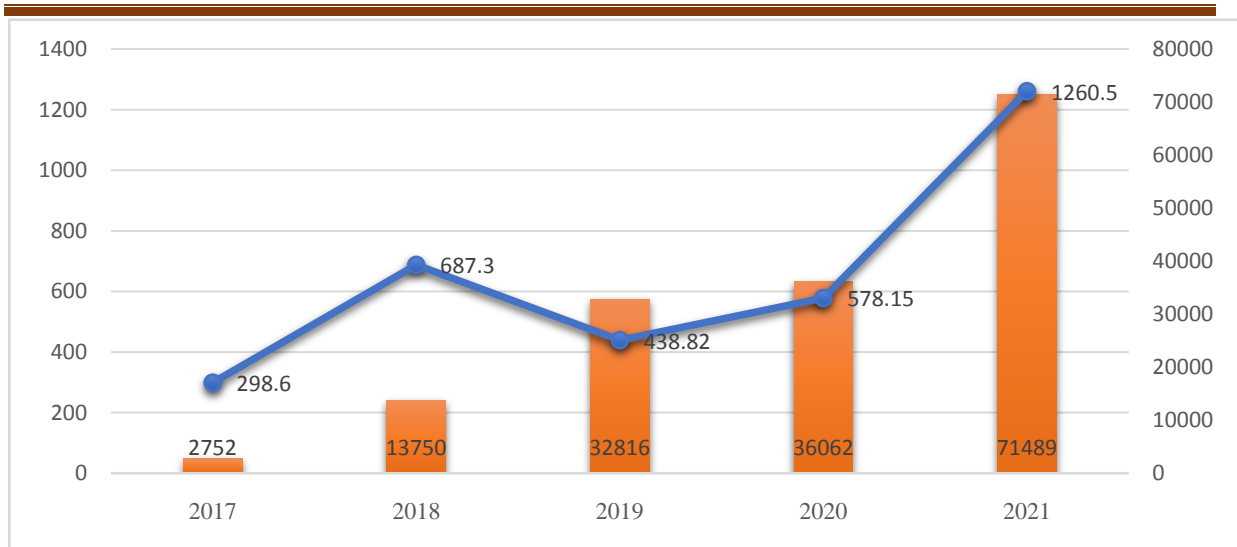


Figure 1. Information on trades made by listing companies on the Stock Exchange in 2017-2021

According to the world practice, in the structure of the stock market, government bonds (government-issued securities) serve as the basis for other types of securities. Government bond yields, in turn, reflect the value of safe investments. If we can't ensure the liquidity of the government stock market and its openness to all types of investors, we can't talk about other successes. In other words, we cannot create a capital market based on real market mechanisms if we do not bring government securities to the liquid secondary market and allow local citizens and foreign investors to trade freely at fair market prices.

“Kvarts” JSC has entered into two IPO (Initial Public Offering) and SPO (Secondary Public Offering) agreements. In 2018, the shares of Kokand Mechanical Plant were placed on the stock market, while the placement of shares of Jizzakh Plastics Plant is underway. It should be noted that the number and amount of shares placed on the stock market is not as large as we expected. In addition, the mechanism of operations is somewhat far from market requirements. In particular, in the above examples, there were certain restrictions on the purchase of securities by each investor. So, we still need to improve our work in this area. In order to successfully bring securities to the stock market, it is necessary to have investment intermediaries. The current legal framework governing the IPO process does not allow investment intermediaries to achieve the intended results. We can achieve the desired results by completely changing the procedure for public offering of securities on the stock market. Unfortunately, so far we cannot boast of our achievements in this regard. In addition to securities, corporate bonds of banks are also placed on the national stock market. For example, in the summer of last year, Asian Alliance bank bonds were successfully placed. Currently, Uzpromstroybank is in the process of placing similar corporate bonds.

The use of stock market mechanisms, which are an important form of raising funds for investment projects in developed market economies, allows enterprises to raise large amounts of money for long or indefinite periods (when shares are issued). One of the most important indicators of investment activity in these countries is the capitalization of the stock market. This indicator is defined as the value of total securities traded on the stock market at



market prices. In the context of declining business activity and deteriorating financial condition, the ability of companies to raise funds through the issuance of securities will be significantly reduced, the shares of unpromising companies will have a low rating or no market value at all, as transactions on them will not take place. In general, this option of attracting resources to production does not work in practice.

Due to the rapid development of international securities business in Uzbekistan, the requirements for instruments in the domestic market have become more complex. In the national securities market, the circulation of securities from one country to another differs from the current legislation, which significantly complicates the implementation of the above innovations. This is worsening the investment climate in the eyes of investors.

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