FORMATION AND DEVELOPMENT TRENDS OF CORPORATE GOVERNANCE OF OIL AND GAS INDUSTRY OF UZBEKISTAN FOR PROVIDING ITS SUSTAINABLE DEVELOPMENT

Karimov Mukhammad Qaxramon o'g'li

Deputy Chairman of the Uzbekistan Scientific and Engineering Society of the Oil and Gas Industry, dissertator of the R&D Institute "Neftegas" of the State Oil Company of the Republic of Azerbaijan

Abstract: ***The article reveals the notion of corporate governance and the approach to the problem of corporate governance from the position of the financial system. The main stages of the formation of a corporate management system in the oil and gas industry of Uzbekistan and an assessment of its effectiveness are examined. And on the basis of monitoring the development of the oil and gas industry of Uzbekistan for the years of independence, it is revealed its iterative step-by-step nature and results achieved, the structure of factors that have the greatest impact on investment attractiveness and assesses the level of investment attractiveness of oil and gas enterprises of Uzbekistan. Corporate governance systems were formed under the influence of internal and external factors and analyzed existing models of corporate governance, which showed that there are three basic models: unitary (Anglo-American), two-level (German) and network (Japanese). It shows the constituent elements of corporate governance models, the scale of corporate governance performance assessment and the system of indicators for assessing the effectiveness of corporate governance. As a result, considering the needs of the economy of the Republic of Uzbekistan, the effectiveness of corporate governance in the oil and gas industry of Uzbekistan is given to ensure the implementation of several priority areas of the industry.***

Key words: ***sustainable development, corporate governance, priority directions of development, corporate governance models, internal and external factors.***

In modern times, the problem of developing a system of relations between company managers and their owners, as well as other stakeholders, taking into account the interests of owners, has intensified in local companies. Such a system is called a corporate governance system.

Corporate governance systems vary from country to country. The distribution of functions between the board of directors and the executive bodies is different, the structure of the charter capital is different, the role and participation of other stakeholders (stakeholders) in public life are different. Of course, the traditional corporate governance system is influenced by the specific features of the cultural and economic structure and the development of the stock market.

The ratio of all these factors and features allows us to talk about different "corporate governance models". **Traditionally, there are three models of corporate governance - the Anglo-American model, the German (Rhine) and the Japanese [3].**

The main economic features that influenced the formation of the Anglo-American model are:

- high distribution of authorized capital. Among America's largest companies, there are very few shareholders (typically no more than 2-5% owners) by American standards. The main owners of the capital of these companies are a large number of institutional (pension, insurance and investment funds) and even smaller (minority) private investors. The spread of investment allows

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investors to be prepared to accept the high levels of risk associated with company operations;большинство инвесторов ориентировано на краткосрочные цели, на получение дохода за счет курсовой разницы;

- the stock market is highly liquid due to such structure and regulatory features of share capital;

- Capital structure and high liquidity lead to a high prevalence of hostile occupation. The stock market is not just a stock market, but a company market - through which the transfer of control over the largest companies takes place;

- • Due to the peculiarities of the legislation and business traditions of the last 60 years, banks play a small role as a shareholder, their relationship with companies does not go beyond the "borrower-loaner" relationship.

A distinctive feature of the Anglo-American model of corporate governance is the "unitary" (single-tier) board of directors, which includes both executive members (company managers) and non-executive members (non-executive employees) , some of them include “independent” directors, who have nothing to do with the company other than being a member of the board of directors. In recent years, the number of independent directors in companies has been increasing after corporate scandals and bankruptcies due to fraudulent actions of management and insufficient control by boards of directors.

The German (Rhine) model of corporate governance is formed in the context of the following economic features:

- High concentration of authorized capital in the hands of medium and large shareholders and widespread practice of mutual ownership of shares. Institutional and small private investors until recently owned a small number of shares and were passive participants in the decision-making process in companies;

- Banks, as well as other industrial companies, have a great weight in the ownership structure of companies, connected with the companies whose shares they own, not only by property relations, but also by business interests. Both large and small shareholders are "patient shareholders" focused on long-term goals. Until very recently, dividends have been the predominant form of income from shareholding;

- the stock market until recently had less liquidity compared to the US and UK stock markets. To attract financing, companies are more actively using banking instruments;

- the structure of equity capital and low liquidity determine the insignificant impact of hostile takeovers on the corporate governance system.

A distinctive feature of the German corporate governance model has become a "two-tier" board of directors - a rigid division into a supervisory board, consisting of external directors who are not employees of the company, and the board. The Supervisory Board must include representatives of banks and employees of the company.

The Japanese corporate governance model has the following features:

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- • a high degree of concentration of share capital in the hands of medium and large shareholders and a widespread practice of cross-ownership of shares between companies belonging to the same group (keiretsu). Institutional and small private investors, until recently, had a small amount of shares and behaved passively;

- Banks play an extremely important role in the company's activities. Each industrial group has its own bank, which forms its core, acts as the main regulator of financial flows in it, and, as a rule, is an important shareholder of the company. All shareholders are focused on the long-term goals of the companies' development. Dividends were the predominant form of return on shares;

- The stock market until recently had much less liquidity compared to the US and UK stock markets. Banks were used more actively to raise capital;

- the capital structure and low liquidity make hostile takeovers very little impact on the corporate governance system.

Formally, the structure of the board of directors of a Japanese company repeats the American one.

In practice, almost 80% of Japanese open joint stock companies do not have independent directors on their boards, and the boards themselves, as in Germany, are the conductors of the company's interests.

At the same time, two distinctive features of the German model - the representation of banks and company employees - are absent here. Almost all members of the boards of directors of Japanese companies are representatives of senior management or former managers. A comparison of the characteristics of these models is given in Table 1.

Table 1.

Comparative characteristics of corporate governance models

Model Specifications	**Unitary model** (investor) or Anglo-American model (USA, UK, Australia)	**Two-tier model** (stakeholders) or German model (Germany	**Network model** or Japanese model (Japan (keiretsu), Korea (chaebol))
Social value system	Individualism, freedom of choice	Social interaction	Social interaction
The role of labor collectives	Passive	Active	Active involvement
Main funding method	Stock market	Banks	Banks
Investment time horizon	Short-term	Long-term	Long-term
Cost of capital	High	Medium	Low
Capital market	Highly liquid	Liquid	Relatively liquid

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Main economic unit (in large business)	Company	Holding	Financial and industrial group
Investment type	Radical	Complex	Incremental
Management compensation	High	Medium	Low
Share capital structure	Dispersed	Substantially concentrated	Substantially concentrated

*Compiled by the author.

- The corporate governance systems of other countries contain elements of the models described above.
- In France, corporate governance is characterized by the following features [4]:
- High degree of capital concentration. The corporate sector represents the largest group of shareholders;
- Some of the largest companies are state owned;
- A large number of shareholders do not take part in control;
- Both one-level and two-level structure of boards of directors is possible.

Sweden has a system of unitary (single-level) councils, but unlike the United States, the participation of representatives of the labor collective is legally fixed, and the participation of management is reduced to the inclusion of the president of the company in the council.

In the Netherlands, a two-tier board system is common, but employees are not allowed on supervisory boards, which consist only of independent directors.

In Italy, even very large companies are often owned by families, so the largest shareholders are almost always managers. Boards of directors are unitary.

Corporate governance did not appear suddenly. Its practices and standards have evolved over the years. Often, their development was pushed by systemic crises and bankruptcies of the largest corporations [5].

The first documented collapse of the system of government was the collapse of the South Sea Trading Company in 1721, which led to a fundamental change in the law and commercial practices of Great Britain. Similarly, many US securities laws were enacted after the stock market crash of 1929. There were other crises, such as the secondary banking crisis of the 1970s in Britain and the failure of savings and loan associations in the US in the 1980s.

Over the past ten years, many codes of best practice and corporate governance principles have been adopted. More than 100 codes have been prepared in 40 countries and regions. Most of these codes focus on the role of boards of directors in a company. The vast majority of these codes are national, only a few are international: recommendations of the European Association of Securities Dealers (EASD - www.easd.org), Guidelines for Corporate Governance of the Confederation of Associations of European Shareholders (www.wfic.org/esh), Statement of Global Principles of

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Corporate management of the International Corporate Governance Network (ICGN) www.icgn.org) and the Organization for Economic Co-operation and Development (OECD) Corporate Governance Principles (www.oecd.org). In April 1999, in a special document approved in 2004 by the Organization for Economic Cooperation and Development (it unites 29 countries with developed market economies), the following definition of corporate governance was formulated: “Corporate governance refers to the internal means of ensuring the activities of corporations and control over them . One of the key elements for improving economic efficiency is corporate governance, which includes a set of relations between the board (management, administration) of the company, its board of directors (supervisory board), shareholders and other interested parties (stakeholders). Corporate governance also determines the mechanisms by which the goals of the company are formulated, the means of achieving them and controlling its activities are determined” [6]. The five main principles of good corporate governance were also detailed there:

1. The rights of shareholders (the corporate governance system should protect the rights of shareholders);

2. Equal treatment of shareholders (the corporate governance system should ensure equal treatment of all shareholders, including small and foreign shareholders);

3. The role of stakeholders in the management of the corporation (the corporate governance system should recognize the statutory rights of stakeholders and encourage active cooperation between the company and all stakeholders in order to increase social wealth, create new jobs and achieve financial sustainability of the corporate sector);

4. Disclosure of information and transparency (the corporate governance system should ensure timely disclosure of reliable information on all significant aspects of the functioning of the corporation, including information on the financial position, performance results, composition of owners and management structure);

5. Responsibilities of the board of directors (the board of directors provides strategic guidance to the business, effective control over the work of managers and is obliged to report to shareholders and the company as a whole).

Very briefly, the basic concepts of corporate governance can be formulated as follows (Fig. 1.):

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