

CORPORATE GOVERNANCE IN UZBEKISTAN AND MODERN CHALLENGES

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Abstract. *This article analyzes the legislation of the Republic of Uzbekistan regulating corporate governance and shows ways to improve it, taking into account the positive experience of foreign countries that have introduced digital technologies and artificial intelligence into corporate governance.*

Keywords: *corporate governance, board of directors, joint stock companies, limited liability companies, artificial intelligence.*

Currently, in the Republic of Uzbekistan, there is a widespread introduction of information technologies in all spheres of life. The normative regulation of the activities of joint-stock companies did not stand aside either. So, on October 29, 2021, the law “On Joint Stock Companies and Protection of Shareholders’ Rights” was supplemented with a norm providing for the possibility of using information technologies that allow holding a remote meeting of shareholders with voting in electronic digital form [1]. This indicates the development of digital technologies and their introduction into corporate governance. But, despite attempts to develop this area, today, negative assessments of the activities of the executive bodies of economic companies, both in practice and in the doctrine of law, still remain.

This article analyzes the existing problems in the corporate governance of joint-stock companies (hereinafter referred to as JSC), and discusses ways to solve them, based on digital technologies in general, and artificial intelligence in particular.

Focusing on the practice of corporate governance, it should be noted that in the Republic of Uzbekistan in recent years there has been a tendency to reduce the number of JSCs, so as of September 1, 2020, the number of JSCs was 686, and as of February 1, 2023, there are 629 (227 with state participation) JSCs, the issues of shares of which are recorded in the State Enterprise "Central Securities Depository"[2]. The presented data indicate the presence of problems in the practice of corporate governance.

The most common practical problems of corporate governance come down to the information secrecy of the activities of joint-stock companies, which manifests itself in the lack of access of shareholders to the actions of the executive body of the joint-stock company. According to the current law, the executive body of a JSC may be a director, the board of the company, as well as a trustee.

The informational secrecy of JSC activities in most cases is expressed in the inaccessibility of information related to the financial and economic activities of the company. In addition, in most cases, the statutes of JSCs provide executive bodies with the authority to conclude transactions for the acquisition or alienation of property, to conclude contracts and contacts (including labor) contracts on behalf of the JSC [3]. Shareholders do not have the ability to control the objectivity and expediency of all actions of the executive body, which creates an opportunity for the latter to act in their own interests (for example, making transactions with affiliates).

As a rule, information about the financial and economic activities of the company is obtained once a year at a general meeting of shareholders, and an extraordinary meeting, in accordance with the current legislation, can be held at the initiative of the audit commission, the decision of the general meeting of participants, the supervisory board, or at the request of the company's participants who in aggregate have less than one tenth of the total number of votes of the company's participants [4].

In addition, the lack of openness and transparency of corporate governance, the closedness of the process of developing and making managerial decisions were revealed as a result of the fourth round of monitoring under the Istanbul Anti-Corruption Action Plan [5].

The underdeveloped system of corporate governance is also actively discussed in the legal doctrine. So, in the special literature, the following shortcomings of corporate governance are highlighted:

- combination of ownership and control by one person;
- weak mechanisms of control over the activities of JSCs (a hired manager, as a rule, reports only to the leading shareholder, and not to all shareholders);
- low transparency of operations, difficulty in obtaining information about the real financial condition of the company, owners, transactions;
- use of illegal or unethical methods of work: seizure of shares, non-admission of shareholders to the meeting, withdrawal of assets, etc. [6].

Considering the above, measures are being taken in Uzbekistan to improve the regulatory framework in this area. For example, on January 18, 2023, a Law was adopted aimed at improving corporate governance [7], the main innovation of which is the inclusion of an independent member in the supervisory board of the company. The main tasks of the supervisory board include control over the executive body, promoting the observance of the rights and interests of shareholders, and increasing the investment attractiveness of the business.

Due to the fact that the supervisory board plays a key role in the functioning of the JSC, the work to improve the efficiency of its functions through the introduction of information technology can be traced in many foreign countries with an advanced corporate governance system. Thus, the Board of Directors Performance Guide was developed in the UK, which provides for the expansion of the position of the board of directors in terms of the need to analyze technological shifts, make decisions based on technological trends and based on predictive rather than retrospective analysis of big data [8].

In addition, according to a survey conducted by the Bank of Russia among joint-stock companies, it was revealed that information technology and cybersecurity issues began to be discussed more often at meetings of boards of directors, and specialists in the field of information technology and cybersecurity began to be more actively included in the boards of directors of companies. Companies began to create special committees on information technology and cybersecurity [9].

The root cause of the strengthening of the role of the supervisory board is considered to be the "Fourth Industrial Revolution" (a term introduced in 2011 as part of the German state strategy - one of the projects of Industry 4.0[10]), involving the introduction of artificial intelligence.

Growth in the adoption of artificial intelligence (AI) in corporate governance is evidenced by a McKinsey survey showing that AI adoption continues to grow steadily, with 56 percent of all respondents reporting AI adoption in at least one function, up from 50 percent in 2020. Also, the

survey revealed that companies that have implemented AI technologies in corporate governance provide three times “more income for shareholders” and show “higher revenue growth rates” [11].

In order to present the benefits of introducing AI into corporate governance, we first clarify what artificial intelligence is. A.N.Zub and K.S.Petrova understand AI not only as technologies imitating human thinking, but also capable of self-learning, which means the ability of an artificial intelligent system to create meta-algorithms that allow solving new problems that the system has not previously encountered [12].

Speaking about the introduction of AI technologies in corporate governance, it should be noted that the expert community is actively discussing the issues of its application in the work of the board of directors of companies [13]. This is explained by the key role of this body in such important functions as resolving conflicts that arise between managers and shareholders (the agency problem), between shareholders and other interested members of the company, as well as the task of analyzing the information necessary for effective planning of the company's future activities. All of the above functions of the board of directors can be optimized with the help of AI. Computer algorithms created on the basis of artificial intelligence technologies can in the near future make the activities of board members more efficient by supplementing their key competencies with up-to-date information and high-quality forecasts [14]. From a practical point of view, AI has shown its effectiveness back in 2014, when AI was first used on the board of directors of the Hong Kong venture fund Deep Knowledge Ventures [15].

Against the background of the active introduction of AI in various fields of activity in foreign countries, work is also observed in Uzbekistan on the development of artificial intelligence.

Despite the fact that Uzbekistan does not claim to be a world leader in the field of artificial intelligence, it nevertheless takes measures to create all conditions for developers, enterprises and citizens so that they can develop and strengthen their capabilities in the field of artificial intelligence [16].

In this regard, the Decree of the President of the Republic of Uzbekistan “On measures to create conditions for the accelerated introduction of artificial intelligence technologies” [17], which provides for the development of an Artificial Intelligence Development Strategy [18], was adopted.

In addition, in Uzbekistan, the legislation provides for the use of a special regime that provides the necessary organizational and legal conditions for legal entities and scientific organizations engaged in activities related to the conduct of experimental work based on artificial intelligence technologies.

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