

## **THE ROLE OF CORPORATE GOVERNANCE AND PRODUCTIVITY OF BUSINESS IN ECONOMY**

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### **RESUME:**

In article the role of corporate governance in system of organizational and economic relations between all groups stakeholder's and the managing subjects entering into corporation is considered.

**KEYWORDS:** corporate governance, investments, business, market relations, corporation structure, corporation financial resources, additional cost.

As it is known, corporate governance defines not only corporate culture of behavior of workers, mutual relations between an executive office, Board of Directors and shareholders, an order of protection of the rights of shareholders, but also a transparency and an order of disclosing of the information on corporation activity, control of results of its activity according to corporate governance principles. Effectively operated companies bring more considerable contribution to national economy and society development as a whole. They are steadier from the financial point of view; provide creation *большой* costs for shareholders, workers. Corporate governance systems very effective and they are well operated establishments to which investors and creditors can confidently trust the means. Corporate governance systems serve as protection against corruption and abusing, strengthening the market economy concept.

The problem of improvement of corporate governance causes recently heightened interest from Republic of Uzbekistan business. It is connected by that the further development of corporate sector in Republic of Uzbekistan, considering the yet not ended process of reorganization of some branches of our industry, demands attraction of considerable investments, both external, and internal. The analysis moved us has shown that the majority of investors consider work of controls of the company, as the factor having even *большее* value, than financial indicators of their activity.

One of the organizations of business alternative forms is the corporation, or the joint-stock company regulated by the legislation and representing separate legal body. The corporate governance system represents organizational model with which help the corporation represents and protects interests of the investors. This system includes councilors of directors, an executive link and mechanisms of the announcement of bankruptcy. The type of applied model depends on structure of the corporation existing within the limits of market economy, and reflects the fact of division of functions of possession and management of Modern Corporation. The most attractive to investors are four characteristics of the corporate form of business: independence of corporation as legal person, limited liability of individual investors, and transfer possibility to other persons of the actions belonging to individual investors, and also the centralized management.

First two characteristics draw a distinction, separating corporate responsibility from responsibility of its separate members, i.e., that belongs to corporation, cannot belong to its members, and that responsibility which is born by corporation, cannot be responsibility of persons entering into it. The measure of responsibility of individual investors is limited by volume of their contribution to corporation [1]. According to their possible losses there cannot be above their contribution.

Distribution of the corporate form of business dealing allows investors to diversify risk of investment, and they can participate in other corporations simultaneously. Thanks to it corporations receive the considerable financial resources, necessary economy at modern scales, and also can take up the risk which level is inaccessible to each individual investor separately. Formation of market relations in Republic of Uzbekistan has caused necessity of search of new forms of economic mutual relations of the enterprises providing certain efficiency of economic processes. Thus the greatest activity showed, the large enterprises connected in a uniform technological chain. As degree of responsibility of individual investors of corporations is limited by volume of their contribution also possible losses cannot be above this contribution that allows investors to diversify possible risks of investment by simultaneous participation in the various companies. Thanks to it corporations can receive the considerable financial resources, necessary economy at modern scales, and also can take up the risk which level is inaccessible to each individual investor separately. Such model of investment leads распыленности the corporation capital on various investors and, as consequence, to necessity of creation of the corresponding control system based on division of functions of possession and management. As at a significant amount of investors, all of them cannot participate in

management of corporation, and limited liability on corporation affairs can be reached only at the expense of loss of a part of powers of investors on control over corporation activity.

Therefore corporations usually transfer the right of management of operations of the company to managers, and the shareholders of the companies acting in a role of investors, delegate the right to make decisions on variety of aspects of activity of corporation to directors and managers. From the administrative point of view the corporate organization can be presented in the form of open system on which input from environment various resources arrive: the information, the capital, a manpower, materials and so on [2].

In the course of functioning the corporation will transform these resources and results of this transformation can be considered as exits of the given system. If incorporation the management organization is effective, during transformation process additional cost is formed, there is a profit; there is an increase in a share of the market, sales volume, corporation growth, etc.

At the decision of many business problems it is necessary to help for a corporation management to define the true reasons of the problems interfering its development and increase of efficiency of its functioning, to develop recommendations and the plan of measures on perfection of its activity.

The control system of corporation has certain characteristics and making elements entering into it which distinguish it from systems of other countries. The basic characteristic features of corporate governance for the purpose of increase of efficiency of business the activity based on a transparency and honesty which will be accompanied by timely disclosing full and trustworthy information, about internal processes is. As for effective corporate business important that independence of directors concerning decisions of strategy of the enterprise, business plans and other decisions was observed. Observance laws and ethical standards are too important components for successful work of business. Thus, we receive the whole mechanism which will work is debugged for the purpose of improvement of quality of work of administrative force.

Development of corporate forms as a way of the further perfection of investment process, it is caused by their independence as legal bodies, limited liability of individual investors, transfer possibility to other persons of the actions belonging to individual investors, and also the centralized management [3].

As degree of responsibility of individual investors of corporations is limited by volume of their contribution also possible losses cannot be above this contribution that allows investors to diversify possible risks of investment by simultaneous participation in the various companies.

Thanks to it corporations can receive the considerable financial resources, necessary economy at modern scales, and also can take up the risk which level is inaccessible to each individual investor separately. Such model of investment leads considerable распыленности the corporation capital on various investors and creation of the corresponding control system based on division of functions of possession and management is necessary.

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