

EMPIRICAL ANALYSIS OF THE CORPORATE GOVERNANCE SYSTEM IN UZBEKISTAN

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Abstract

This study presents an empirical analysis of the corporate governance system in Uzbekistan during the years 2020–2023. As Uzbekistan continues its transition toward a market-based economy, the importance of transparent and accountable corporate governance practices has grown significantly. This paper analyzes the structure, trends, and challenges of Uzbekistan's corporate governance reforms by using key performance indicators such as shareholder participation, transparency, privatization rates, and compliance with international financial reporting standards (IFRS). The findings reveal a positive but gradual shift toward international governance standards. However, institutional and regulatory barriers remain. The study concludes with practical recommendations aimed at accelerating governance reforms and improving investor confidence.

Keywords: Corporate governance, Uzbekistan, shareholder participation, IFRS, transparency, privatization, financial reporting, institutional reform, investor protection, empirical analysis

Introduction

In the context of a rapidly evolving global economy, corporate governance has become a cornerstone of sustainable economic growth, institutional transparency, and investor confidence. It refers to the structures, rules, and processes by which companies are directed and controlled, ensuring accountability, fairness, and transparency in a company's relationship with all of its stakeholders, including shareholders, management, customers, government, and the wider community. For developing and transition economies, such as Uzbekistan, strengthening corporate governance is particularly crucial to fostering an investment-friendly climate and achieving long-term financial and institutional stability.

Uzbekistan has embarked on a comprehensive reform agenda since 2017, aiming to liberalize its economy and integrate into global markets. Central to this agenda is the modernization of corporate governance practices, particularly in large joint-stock companies and state-owned enterprises. These reforms are being undertaken in parallel with efforts to privatize public assets, adopt international financial reporting standards (IFRS), develop capital markets, and increase the role of private enterprise in the national economy.

Despite significant progress in legal reforms and strategic frameworks, Uzbekistan continues to face challenges in the practical implementation of corporate governance principles. Many companies still lack effective board structures, transparency in financial reporting, and mechanisms to protect the rights of minority shareholders. The gap between formal regulation and practical enforcement hinders the development of a fully functional governance ecosystem.



Moreover, global trends such as digital transformation, the growing role of ESG (Environmental, Social, and Governance) criteria, and the increasing demand for corporate accountability have elevated the importance of modern governance frameworks. In this context, Uzbekistan must not only align its governance standards with international benchmarks but also ensure that such standards are enforced consistently and effectively.

The purpose of this study is to provide an empirical assessment of Uzbekistan's corporate governance system, focusing on its development trajectory between 2020 and 2023. The research evaluates key indicators such as shareholder participation, transparency, board independence, adoption of IFRS, and the pace of privatization. Additionally, the study aims to identify structural challenges and propose targeted recommendations that support the creation of a more transparent, responsible, and investor-oriented corporate governance environment in Uzbekistan. This work contributes to the academic and policy-level discourse by bridging the gap between theoretical governance frameworks and the real-world experiences of emerging economies.

Literature review

Corporate governance has evolved as a multidimensional concept that encompasses accountability, transparency, ethical leadership, and strategic oversight of corporate resources. Scholars have approached the study of corporate governance from a variety of perspectives, including legal, economic, and sociopolitical frameworks, highlighting its complex nature across different institutional environments.

One of the foundational aspects of corporate governance is the classification of models based on ownership structures and stakeholder engagement. Shabir Ahmad notes that "corporate governance models are largely shaped by cultural, legal, and institutional frameworks, with Anglo-Saxon and Continental European models dominating the academic discourse" (Ahmad Sh, 2016). While the Anglo-American model emphasizes shareholder primacy and dispersed ownership, the Continental model promotes stakeholder inclusivity and concentrated ownership.

The convergence debate has sparked substantial interest in recent decades. As Shirwa H.A explains, "the globalization of capital markets has encouraged discussions on the possible convergence of governance models, especially toward the shareholder-oriented approach, though cultural and institutional differences remain significant barriers" (Shirwa H, 2020). This assertion is echoed by Meier H.H. and Meier N.C, who argue that "differences in corporate governance models exist due to diverse legal and cultural factors that may be very difficult to reconcile" (Meier & Meier, 2014).

In the context of developing economies such as Uzbekistan, the adaptation of global principles to local realities is a key concern. Suyunov D. and Khoshimov E. emphasize that "Uzbekistan is steadily aligning its corporate governance practices with international standards, though challenges remain in areas such as independent evaluation, financial reporting, and shareholder protection" (Suyunov & Khoshimov, 2018). They further note that governance reforms have positively impacted the investment attractiveness of joint-stock companies in the country.

A broader understanding of governance also incorporates ethical and sustainability dimensions. As Monks R.A.G. and Minow N. suggest, "effective corporate governance frameworks must consider not only financial performance but also the long-term social and environmental responsibilities of firms" (Monks & Minow, 2011). This view is increasingly echoed in global standards, such as the G20/OECD Principles of Corporate Governance (2023), which

emphasize the importance of sustainability, shareholder rights, board responsibilities, and enhanced disclosure mechanisms.

In support of regulatory harmonization, Satheesh E.K argues that "good governance cannot exist without robust legal frameworks that are consistently enforced, combined with a culture of accountability at all levels of the organization" (Satheesh E.K, 2017). This highlights the interplay between institutional strength and corporate governance efficacy, particularly in emerging markets.

Thus, the literature illustrates that while corporate governance principles are broadly agreed upon in theory, their implementation and effectiveness vary widely across jurisdictions. This divergence underscores the need for contextualized governance reforms that draw on international best practices but are tailored to local legal, cultural, and economic realities.

Methods

This study employs an empirical research design based on a combination of descriptive statistical analysis and comparative evaluation to assess the state and progress of corporate governance in Uzbekistan from 2020 to 2023. The methodology is structured to capture both quantitative trends and qualitative shifts within the governance frameworks of public and private enterprises, particularly joint-stock companies and state-owned entities undergoing privatization.

The primary data sources for the research include official reports from Uzbekistan's State Assets Management Agency, financial disclosures published by publicly listed companies, annual reports of joint-stock companies, and relevant regulatory documents issued by national oversight institutions. Additionally, international databases such as the World Bank's Doing Business Index and Transparency International's Corruption Perceptions Index were utilized to contextualize Uzbekistan's governance performance relative to other economies.

The key indicators used for evaluation are shareholder participation rates in general meetings, the adoption of international financial reporting standards (IFRS), transparency in financial disclosures, the presence of independent board members, and the volume of privatized state-owned enterprises. Each of these variables was tracked annually between 2020 and 2023 to identify trends and evaluate the effectiveness of ongoing reforms.

A descriptive analysis method was used to calculate changes in percentages and absolute values across the selected indicators. These trends were then compared to international benchmarks and governance principles outlined by institutions such as the OECD and G20. Furthermore, selected qualitative insights from policy documents and academic literature were incorporated to explain the underlying causes of observed patterns and provide a broader interpretive context.

This mixed-method approach allows the study to present a holistic understanding of Uzbekistan's corporate governance dynamics, highlighting both statistical progress and institutional limitations, and lays the foundation for meaningful policy recommendations.

Results

The empirical results of this study highlight significant developments in Uzbekistan's corporate governance system between 2020 and 2023. The analysis focuses on key performance indicators such as shareholder participation, financial reporting transparency, IFRS adoption, privatization of state-owned enterprises, and the inclusion of independent directors on corporate boards. These indicators reflect both the progress achieved and the

challenges that remain in aligning Uzbekistan's governance practices with international standards.

One of the most notable improvements is in shareholder participation. The percentage of shareholders actively involved in general meetings increased from 18% in 2020 to 32% in 2023. This rise suggests growing awareness among investors and improvements in access to governance mechanisms. Nevertheless, this figure is still considerably lower than global averages, which often exceed 50%, especially in advanced economies.

Financial transparency has also improved significantly over the last four years. In 2020, only 25% of companies disclosed their financial statements publicly. By 2023, this figure had risen to 67%. At the same time, the number of companies reporting in accordance with International Financial Reporting Standards (IFRS) grew from 5 in 2020 to 45 in 2023, reflecting regulatory efforts to align reporting with global norms.

Table 1. Financial Reporting and IFRS Adoption in Uzbekistan (2020–2023)

Year	Companies Publishing Financial Statements (%)	Companies Reporting under IFRS (number)
2020	25%	5
2021	38%	15
2022	55%	30
2023	67%	45

Privatization of state-owned enterprises (SOEs) has been another pillar of reform. In 2020, only 10 SOEs had been privatized. By 2023, this number increased to 50. This growth indicates a consistent policy direction to reduce state ownership in the economy and promote private sector participation, which is typically associated with better governance and accountability.

Table 2. Number of Privatized State-Owned Enterprises in Uzbekistan (2020–2023)

Year	Number of Privatized SOEs
2020	10
2021	20
2022	35
2023	50

Board independence is another crucial aspect of good governance. The percentage of companies with at least one independent director increased from 30% in 2020 to 54% in 2023. This change shows growing recognition of the role independent oversight plays in enhancing decision-making transparency and reducing conflicts of interest. However, ensuring that these directors are truly independent and qualified remains a challenge.

Table 3. Companies with Independent Directors on Boards (2020–2023)

Year	Companies with Independent Directors (%)
2020	30%
2021	38%
2022	47%
2023	54%

From an international perspective, Uzbekistan's standing has improved, though it still lags behind regional peers. The Corruption Perceptions Index (CPI) score increased from 25 in 2020 to 31 in 2023. The World Bank's governance score also rose from 42 to 55 over the same

period. While this progress is encouraging, further institutional strengthening and regulatory reforms are required to match the regional average.

Table 4. Uzbekistan's International Governance Indicators (2020–2023)

Indicator	2020	2023	Regional Average (2023)
Corruption Perceptions Index (CPI)	25	31	35
World Bank Governance Score (0–100)	42	55	60

Overall, the results of the empirical analysis indicate that Uzbekistan is on a gradual but steady path toward modernizing its corporate governance framework. Improvements in financial reporting, board independence, and shareholder engagement are clear signs of this transition. However, the country must further address institutional gaps, enhance legal enforcement, and promote investor protection to fully meet international governance standards. These findings provide a strong foundation for policy recommendations in the subsequent sections of this study.

Discussion

The findings of this study reveal a positive trajectory in Uzbekistan's corporate governance reforms, though key limitations remain that must be addressed for the country to achieve full alignment with international best practices. The increase in shareholder participation, financial reporting transparency, and IFRS adoption demonstrates that legal reforms and institutional efforts are beginning to yield tangible results. However, the effectiveness of these reforms depends heavily on consistent enforcement, institutional capacity, and stakeholder engagement.

The rise in shareholder participation from 18% to 32% over four years is a notable achievement, indicating growing awareness and confidence in governance mechanisms. Nonetheless, the participation rate remains relatively low by global standards, suggesting the need for more inclusive mechanisms to support minority shareholders, especially in large joint-stock companies. One possible measure is the use of digital voting systems to enhance accessibility and responsiveness in corporate decision-making.

The steady adoption of IFRS reflects a move toward greater accountability and transparency. Yet the total number of companies reporting under IFRS (45 in 2023) remains a small portion of the overall market. This gap points to the need for technical capacity building, including specialized training for financial officers, auditors, and regulators to ensure widespread and accurate implementation of these standards.

Privatization trends also suggest progress, with the number of privatized state-owned enterprises growing from 10 in 2020 to 50 in 2023. However, the process still faces criticism regarding transparency, valuation, and post-privatization performance monitoring. Without effective oversight and regulatory frameworks, privatization alone cannot guarantee improvements in corporate governance.

The increase in the number of companies with independent directors suggests progress in aligning with international norms. Nevertheless, concerns remain about the actual independence, experience, and effectiveness of such board members. In many cases, appointments are still influenced by insider connections rather than merit-based criteria. This weakens the intended role of independent oversight and strategic control.

International benchmarking further highlights that while Uzbekistan's scores in the Corruption Perceptions Index and World Bank Governance Indicators are improving, they still fall short of regional and global averages. This signals deeper structural challenges such as weak

enforcement of corporate law, insufficient protection of minority shareholders, and underdeveloped capital markets.

An important dimension of modern governance that is still emerging in Uzbekistan is the integration of digital tools and environmental, social, and governance (ESG) considerations. While the country has made strides in financial reporting and board oversight, there is limited progress in adopting ESG frameworks, green finance instruments, and sustainability reporting. As global investor preferences increasingly shift toward ESG-compliant entities, Uzbekistan's companies will need to adapt accordingly to remain competitive.

In conclusion, Uzbekistan has demonstrated meaningful progress in several core areas of corporate governance, but the reforms must be broadened and deepened to achieve lasting impact. The government should prioritize legal enforcement, institutional independence, and transparency to support investor confidence and corporate accountability. Moreover, embracing digital transformation and integrating ESG principles into governance structures will be essential for building a resilient, modern, and internationally credible corporate environment.

Conclusion

This study presented an empirical analysis of Uzbekistan's corporate governance system during 2020–2023, focusing on key indicators such as shareholder participation, financial transparency, IFRS adoption, privatization, and board independence. The findings indicate that Uzbekistan has made meaningful progress toward aligning its governance practices with international standards, though challenges remain in enforcement, capacity, and investor protection.

Shareholder participation increased from 18% to 32%, signaling growing engagement. However, this figure remains below global norms, highlighting the need for stronger legal frameworks and digital tools to support minority shareholder involvement. Financial transparency also improved, with 67% of companies disclosing reports by 2023 and IFRS adoption increasing ninefold. Still, IFRS usage remains limited, calling for broader training and enforcement.

Privatization of state-owned enterprises progressed steadily, reaching 50 by 2023. Yet post-privatization governance effectiveness remains uncertain, requiring better monitoring and transparency. Similarly, while 54% of companies now include independent directors, questions persist about their autonomy and qualifications.

International indicators reflect gradual improvement. Uzbekistan's CPI score rose from 25 to 31, and governance scores improved from 42 to 55. However, the country still trails regional peers, signaling a need for deeper reforms. Priority should be given to stronger legal enforcement, institutional independence, and investor-friendly regulations.

The integration of digital governance tools and ESG (Environmental, Social, and Governance) criteria remains limited but essential for future progress. As global investors increasingly favor ESG-compliant companies, Uzbekistan must adapt to these trends to stay competitive.

In conclusion, Uzbekistan is on a positive path toward modernizing corporate governance. Continued political will, institutional support, and international cooperation will be crucial to achieving a transparent, accountable, and resilient corporate sector that supports sustainable economic development.

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