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## CORPORATE GOVERNANCE: ENHANCING TRANSPARENCY THROUGH CMA PRACTICES

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### ABSTRACT

In today's Globalization process, corporate transparency and accountability are becoming increasingly important as organizations are scrutinized by stakeholders, investors and the public. Transparency is the ability of a company to provide clear, accurate and timely information about its activities, practices, decisions and activities. Accountability includes responsibility for the results of these decisions. Both of these principles are important to corporate governance, allowing organizations to protect their reputation and build trust among shareholders.

### KEYWORDS

Corporate governance, company, stakeholder, transparency, board of directors, CMA practices.

### INTRODUCTION

Corporate governance is an important aspect that determines the success or failure of any organization. It is the system of rules, practices and processes that govern and govern the company. Corporate governance is a set of mechanisms aimed at aligning the interests of the company's management with the

interests of its shareholders and other stakeholders. It should be noted that corporate governance is not only for large companies, but also for small and medium-sized enterprises.

#### 1. What is corporate governance?

Corporate governance is the process of managing relationships between a company's stakeholders, including shareholders, management, and the board of directors. It is the system that governs and manages companies. The main objective of corporate governance is to ensure that the company operates in an ethical and transparent manner and to protect the interests of all stakeholders.

## 2. The importance of corporate governance

Corporate governance is essential to the success of any company. This ensures that the company is managed in the best interests of all stakeholders, including shareholders, employees, customers and society. Good corporate governance practices can improve a company's reputation, attract investors, and improve its financial performance.

## 3. Principles of corporate governance

Corporate governance principles include transparency, accountability, fairness and responsibility. Transparency means that a company's operations and finances are transparent and open to all interested parties. Accountability means that the company's management is responsible for its actions and decisions. Fairness means treating all stakeholders equally and avoiding conflicts of interest. Responsibility means that the company takes responsibility for its impact on the environment and society.

## 4. Corporate management models

There are different corporate governance models, including the shareholder model, the stakeholder model, and the hybrid model. The shareholder model focuses on maximizing shareholder value, while the stakeholder model considers the interests of all stakeholders. A hybrid model combines elements of both models.

## 5. Best practices in corporate governance

Some of the best corporate governance practices are having an independent board of directors, having a code of ethics and conduct, ensuring financial transparency, and having a system of checks and balances. These practices help ensure that the company is managed with the best interests of all stakeholders in mind.

Corporate governance is an important aspect that determines the success or failure of any organization. It is the system of rules, practices and processes that govern and govern the company. Good corporate governance practices can improve a company's reputation, attract investors, and improve its financial performance. There are different corporate governance models, and best practices include having an independent board of directors, having a code of ethics and conduct, ensuring financial transparency, and having a system of checks and balances. Decree of the President of the Republic of Uzbekistan No. PF-101 of April 8, 2022[4] in order to determine and increase the effectiveness of corporate management in joint-stock companies with a state share of 50 percent or

more operating in Uzbekistan: "... From May 1, 2022, the Strategy and Investments Committee, the Audit Committee, the Appointments and Remuneration Committee, the Anti-Corruption and Ethics Committee, consisting of members of the Supervisory Board, will be established, the state share in the Supervisory Board "Evaluation of the activities of the elected members on the basis of criteria such as effective organization of transformation processes in the enterprise, optimization of external debts of the enterprise, introduction of a modern procurement system, attraction of alternative funds for financing investment projects" is defined.

II Importance of transparency in corporate governance  
Transparency is an important aspect of corporate governance. This means that the company's policies, practices and decisions are transparent, accountable and clearly communicated to its stakeholders, including shareholders, customers, employees, suppliers and the public. Transparency is necessary to build trust, maintain a positive reputation, and ensure compliance with legal and ethical standards. In this section, we explore the importance of transparency in corporate governance from different perspectives and identify best practices for enhancing transparency through CMA practices.

### 1. Advantages of transparency in corporate governance

Transparency fosters accountability and trust by enabling stakeholders to access relevant information

about a company's activities, operations and decision-making processes. This allows stakeholders to make informed decisions, assess risks and opportunities, and hold the company accountable for its actions. Transparency improves a company's reputation, attracts investors, and improves employee morale. Companies that have benefited from transparency include Google, Microsoft, and Patagonia, which have adopted open communication policies, ethical practices, and sustainability initiatives to build trust and loyalty among stakeholders.

### 2. Problems of ensuring transparency in corporate management

Achieving transparency can be difficult due to factors such as complex organizational structures, conflicting interests and cultural barriers. Some companies may resist disclosing confidential information or lack the resources or expertise to implement transparency practices. In addition, some stakeholders may not have the skills or knowledge to interpret the information provided, or may have limited access to the information due to legal or regulatory restrictions. Thus, companies must develop effective strategies to overcome these challenges and ensure that transparency is integrated into their management practices.

### 3. CMA practices to increase transparency in corporate governance

The CMA (Certified Management Accountant) designation provides a framework for greater

transparency in corporate governance through various practices such as financial reporting, risk management, internal controls and ethics. CMA professionals are trained to analyze financial data, identify risks and opportunities, and communicate relevant information clearly and concisely to stakeholders. Some best practices for increasing transparency through CMA practices include:

- Adopting a comprehensive financial reporting system that complies with international accounting standards and provides stakeholders with timely, accurate and relevant information.
- creating a risk management system that identifies and evaluates potential risks and implements controls to reduce them.
- implementation of internal control that ensures the correctness, completeness and reliability of financial and non-financial information.
- Promote ethical behavior and integrity through a code of conduct, whistleblower policy and training programs.
- Engaging with stakeholders through regular communication, feedback mechanisms and transparency reports that provide information on company performance, strategy and management practices.

#### 4. Comparison of different options for increasing transparency in corporate governance

There are various options for increasing transparency in corporate governance, such as voluntary disclosure,

regulatory compliance, and stakeholder engagement. Voluntary disclosure refers to a company's initiative to disclose information outside of legal requirements, such as sustainability reports or social responsibility initiatives. Regulatory compliance means that a company complies with legal and regulatory requirements, such as financial reporting standards or environmental regulations. Stakeholder engagement refers to a company's interaction with stakeholders to understand their needs and expectations and respond to their concerns. While each option has its advantages and disadvantages, the best option is to take a holistic approach that combines voluntary disclosure, regulatory compliance and stakeholder engagement to bring transparency to company governance practices.

Transparency is an important aspect of corporate governance that encourages accountability, trust and ethical behavior. Companies should adopt effective strategies to overcome transparency challenges and improve it through CMA practices such as financial reporting, risk management, internal controls and ethics. By taking a holistic approach that integrates voluntary disclosure, regulatory compliance and stakeholder engagement, companies can ensure transparency is integrated into their governance practices and contribute to a sustainable and responsible business culture.

The Importance of Transparency in Corporate Governance - Corporate Governance: Enhancing Transparency Through CMA Practices

III General information about the Capital Markets Authority (CMA).

The Capital Markets Authority (CMA) is an independent regulatory body established to regulate and develop capital markets in the Kingdom of Saudi Arabia. The CMA is responsible for supervising, licensing and monitoring the activities of all market participants in the capital market. It plays a crucial role in increasing transparency and protecting the interests of investors, thereby contributing to the development of the capital market. In this section, we provide an overview of the CMA and its functions.

### 1. Functions of CMA

The CMA has various functions that help regulate the capital market. Some of the main functions of CMA are:

- Supervision: The CMA supervises the activities of all market participants, including issuers, investors and intermediaries. This ensures that they comply with the rules and guidelines set by the CMA.

- Licensing: The CMA issues licenses to market participants such as brokers, investment advisers and fund managers. It also approves the issuance of securities by companies.

- Enforcement: The CMA has the power to investigate and take legal action against any market participant who violates the rules.

- Investor Protection: The CMA aims to protect the interests of investors by ensuring that they have accurate and timely information about the securities in which they invest.

### 2. CMA's role in promoting transparency

Transparency is an important aspect of corporate governance. The CMA plays an important role in promoting transparency in the capital market. It achieves this through various measures, such as:

- Disclosure requirements: The CMA requires listed companies to disclose certain information such as financial statements, corporate governance structure and any significant events that may affect the company's operations.

- Investor education: CMA implements various programs to educate investors about the capital market and their rights and obligations.

- Corporate Governance Code: The CMA has introduced a Corporate Governance Code that outlines best corporate governance practices and encourages companies to adopt them.

### 3. Challenges faced by CMA

Despite its efforts, the CMA faces several challenges in regulating the capital market. Some challenges:

- Limited market depth: Saudi Arabia's capital market is relatively small and lacks depth. This limits the number of investment opportunities available to investors.

- Limited investor base: The investor base in Saudi Arabia is small and most of them are retail investors.

This limits the amount of institutional investment in the market.

- Cultural barriers: Saudi Arabian culture is conservative and there is no awareness about the benefits of investing in the capital market. 4. Summary

The CMA plays a crucial role in the regulation and development of the capital market in Saudi Arabia. Its efforts to increase transparency and protect the interests of investors have helped the market grow. However, there are still challenges that need to be addressed to ensure the long-term sustainability of the market. The CMA should continue its efforts to educate investors and encourage companies to adopt good corporate governance practices.

4. The role of CMAs in promoting transparency in corporate governance

Corporate governance is an important aspect of any company as it ensures that the organization is run in a responsible and ethical manner. The Capital Markets Authority (CMA) plays a crucial role in promoting transparency in corporate governance. The CMA oversees the stock market in the country and is responsible for the regulation and supervision of all listed companies. In this section, we discuss the role of the CMA in promoting transparency in corporate governance.

1. Disclosure requirements: One of the main ways the CMA promotes transparency in corporate governance is through its disclosure requirements. Listed companies are required to disclose their financial

statements, annual reports and other relevant information to the CMA. This information is then made available to the public and ensures that investors have accurate and up-to-date information on the company's financial position.

2. Code of Corporate Governance: The CMA has also introduced a Code of Corporate Governance which provides guidelines to be followed by companies. The Code covers areas such as board composition, risk management and shareholder rights. By following these guidelines, companies can ensure that they conduct their affairs in a responsible and transparent manner, which in turn helps to increase investor confidence. 3. Enforcement: The CMA also plays a crucial role in enforcing corporate governance standards. The authority has the power to take action against companies that do not comply with its rules. This includes fines, revocation of licenses and even legal action against companies and their directors.

4. Investor Protection: The CMA's role in promoting transparency in corporate governance also helps protect investors. By ensuring that companies are run responsibly and transparently, the authority helps minimize the risk of fraud and other wrongdoing. This, in turn, helps to protect the interests of investors, serves the healthy and active development of the stock market.

5. Best Practices: CMA also promotes best practices in corporate governance. The Authority regularly publishes guidelines and recommendations for

companies. By applying these best practices, companies can ensure that they conduct their business not only legally, but ethically and responsibly.

The CMA plays a crucial role in promoting transparency in corporate governance. By establishing disclosure requirements, introducing a corporate governance code, introducing standards, protecting investors and promoting best practices, the authorities are helping to build a healthy and vibrant stock market in the country. Companies that adhere to these standards are more likely to attract investment and build long-term relationships with stakeholders.

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