IQTISODIY TARAQQIYOT VA TAHLIL ILMIY ELEKTRON JURNAL

UOʻK: 347.965.8

THE IMPACT OF CORPOPRATE GOVERNANCE ON THE FINANCIAL STABILITY OF BANKS: AN INTERNATIONAL COMPARATIVE ANALYSIS

Ismoilova Shaxzoda Alisherovna
Tashkent State University of Economics
shaxzodaismailova0910@gmail.com
ORCID: 0009-0002-9433-1996
Urinov Bobur Nasilloyevich
Tashkent State University of Economics
b.urinov@tsue.uz
ORCID: 0000-0001-7276-2619

Abstract. *These findings underscore the need for context-specific corporate governance models to optimize overall financial performance and mitigate risk. This research contributes to the understanding of how multiple governance models affect bank stability globally and provides information for policy makers and bank executives aiming to improve governance frameworks. These findings underscore the need for context-specific ways of corporate governance to optimize economic performance and mitigate risk. This research contributes to the expert knowledge of the ways in which different governance models affect the global stability of financial institutions and provides information for policymakers and bank executives aiming to improve governance frameworks.*

Keywords: *Corporate governance, financial stability, banks, models, Anglo-American, German, Japanese's model, board structure, transparency, risk management, multivariate regression analysis, USA, UK, Germany, Japan, China.*

KORPORATIV BOSHQARUVNING BANKLARNING MOLIYAVIY BARQARORLIGIGA TA'SIRI: XALQARO QIYOSIY TAHLIL

Ismoilova Shaxzoda Alisherovna
Toshkent davlat iqtisodiyot universiteti
Urinov Bobur Nasilloyevich
Toshkent davlat iqtisodiyot universiteti

Annotatsiya. *Ushbu natijalar umumiy moliyaviy koʻrsatkichlarni optimallashtirish va xavfni kamaytirish uchun kontekstga sezgir korporativ boshqaruv modellarini yaratish zarurligini ta'kidlaydi. Ushbu tadqiqot bir nechta boshqaruv modellari butun dunyo boʻylab banklar barqarorligiga qanday ta'sir qilishini tushunishga hissa qoʻshadi va boshqaruvni yaxshilashga intilayotgan siyosatchilar va bank menejerlariga ma'lumot beradi. Ushbu natijalar iqtisodiy samaradorlikni optimallashtirish va xavfni kamaytirish uchun korporativ boshqaruvning oʻziga xos usullariga ehtiyoj borligini ta'kidlaydi. Ushbu tadqiqot boshqaruvning turli modellari moliya institutlarining global barqarorligiga qanday ta'sir etishi haqidagi ekspert bilimlariga hissa qoʻshadi va boshqaruv tuzilmalarini yaxshilashga intilayotgan siyosatchilar va bank rahbarlariga ma'lumot beradi.*

Kalit soʻzlar: *Korporativ boshqaruv, moliyaviy barqarorlik, banklar, modellar, ingliz-amerika, nemis, yapon modeli, boshqaruv kengashi tuzilmasi, shaffoflik, risklarni boshqarish, koʻp oʻlchovli regressiya tahlili, AQSH, Buyuk Britaniya, Germaniya, Yaponiya, Xitoy.*

ВЛИЯНИЕ КОРПОРАТИВНОГО УПРАВЛЕНИЯ НА ФИНАНСОВУЮ СТАБИЛЬНОСТЬ БАНКОВ: МЕЖДУНАРОДНЫЙ СРАВНИТЕЛЬНЫЙ АНАЛИЗ

Исмоилова Шахзода Алишеровна
Ташкентский государственный экономический университет
Уринов Бобур Насиллоевич
Ташкентский государственный экономический университет

Аннотация. *Эти результаты подчеркивают необходимость создания моделей корпоративного управления, учитывающих контекст, для оптимизации общих финансовых показателей и снижения рисков. Это исследование способствует пониманию того, как многочисленные модели управления влияют на стабильность банков во всем мире, и предоставляет информацию политикам и руководителям банков, стремящимся улучшить систему управления. Эти результаты подчеркивают необходимость в конкретных способах корпоративного управления для оптимизации экономических показателей и снижения рисков. Это исследование способствует экспертному знанию того, как различные модели управления влияют на глобальную стабильность финансовых учреждений, и предоставляет информацию политикам и руководителям банков, стремящимся улучшить структуру управления.*

Ключевые слова: *Корпоративное управление, финансовая стабильность, банки, модели, англо-американская, немецкая, японская модель, структура правления, прозрачность, управление рисками, многомерный регрессионный анализ, США, Великобритания, Германия, Япония, Китай.*

Introduction.

Corporate governance, which includes the systems, ideas and strategies by which corporations are managed and controlled, plays a key role in banking. Effective corporate governance ensures that banks operate transparently, manage risks effectively and maintain investor confidence, all of which can be key to financial stability. As the banking zone will become more and more globalized, it is of utmost importance to know how exclusive corporate governance practices affect the stability and reliability of banks.

Banks are inherently complex institutions that handle enormous amounts of risk. The 2008 financial crisis highlighted the critical need for strong corporate governance in maintaining cash balance. Poor governance practices were recognized as a key contributing factor to the disaster, particularly with major regulatory reforms aimed at strengthening governance frameworks in banks. These reforms emphasized the importance of board independence, transparency, contingency control and accountability (Kirkpatrick, 2009).

However, the effectiveness of corporate governance practices can vary widely across countries due to variations in regulatory environments, market systems, cultural elements and currency situations. Moreover, for example, governance models accepted in Anglo-American countries that prioritize shareholder value and board independence may differ from those in international locations such as Germany and Japan, where stakeholder engagement and worker participation are more common.

Literature review.

A comprehensive analysis of various studies underlines the essential function of corporate governance in ensuring the economic stability of banks.

Douglas Weimer and Richard Pape (1999) compared the unique government models with the Anglo-American and German models and concluded that each model has amazing power in promoting monetary balance, with the Anglo-American version emphasizing market mechanisms and the Price for shareholders. and the German model, which focuses on a stakeholder-oriented approach.

Renee Adams and Hamid Mehran (2003) found that the composition and shape of a financial institution's board of directors has a noticeable impact on the economic stability of banks and its economic stability. Banks with a higher percentage of unbiased directors tend to have better oversight, reduce erratic behavior, and improve resilience to financial difficulties. Similarly, Bushman and Smith (2003) emphasized the importance of transparency and the best economic reporting to maintain investor confidence and market discipline and concluded that effective disclosure practices are important to enable stakeholders to to make informed decisions and prevent economic crises.

Daniel Cohen, Aiyesha Dey, and Thomas Lys (2007) examined the impact of corporate governance reforms, particularly the Sarbanes-Oxley Act, on the stability and accountability of economic institutions. In their view, these reforms led to greater transparency and accountability, thereby contributing to better monetary stability.

Among these scientists are ours who have conducted research on this topic. For example, we can cite Urinov, Kenjayeva (2023), who deals in detail with the topic of corporate governance models in his article entitled "ADVANCED PRACTICES AND MODELS OF CORPOPRATE GOVERNANCE". They examined the advantages and disadvantages of all models, the aspects that unite them and the characteristics of each model.

Ashurov in his work "Improving corporate governance in commercial banks as a factor for sustainable development" (2014). "Banking and Financial System" writes: One of the factors that contribute to the successful development of the national economy is the sustainable functioning of the banking and financial system. The establishment and further development of a flexible bank management structure, which we also call corporate governance, plays an important role. This article discusses the measures taken to implement a modern corporate governance system for banks, which have led to an increase in the role of shareholders and bank boards of directors in bank management, as well as the creation of effective mechanisms to protect the interests and rights of shareholders. His other works also provide the opportunity to get an idea of the importance and relevance of corporate governance in every country today.

These studies particularly emphasize the importance of board structure, transparency and disclosure, robust emergency control procedures, investor protection, corporate governance reforms and the strengths of different governance models in ensuring the economic stability of banks in different international contexts.

Methodology.

The method of studies for this view includes a systematic evaluation of corporate governance practices and fashions across different nations, supplemented by a comprehensive evaluation of applicable literature. This approach guarantees solid know-how of the influence of corporate governance on the monetary stability of banks. The technique consists of several key components:

The core of the research technique is the systematic analysis of procedures and models of corporate governance. This includes a review of various corporate governance frameworks commissioned through banks in the US, UK, Germany, Japan and China. This assessment consists of expertise on the structural and procedural aspects of governance in each context, specializing in identifying key characteristics such as board independence, the presence of risk review committees and the frequency of board meetings. Detailed facts about on-board systems, chance management practices and transparency measures are collected from several assets, including annual audits, regulatory reporting and specialized financial databases. For example, annual reports provide information on management systems and overall financial performance, while regulatory reporting (e.g., SEC reporting in the US) provides additional information on compliance and management practices.

A thorough review of the relevant literature that inspired this study. The literature review method involves identifying key and cutting-edge research articles, books and reports that examine the relationship between corporate governance and economic stability. Notable studies include works by Adams and Mehran (2003) on bank governance and Leaven and Levine (2009) on the impact of law and governance on risk taking. Integrating findings from the literature helps identify common themes, divergent views, and gaps in current research, thereby strengthening the broader context and theoretical underpinnings of corporate governance practices.

Various scientific research methods are used to embellish the rigor and validity of the view. These consist of generalizations, meaning drawing broad conclusions from specific instances of corporate governance practices found in the sampled banks, helping to understand overarching developments and concepts across specific contexts. Grouping banks based on common characteristics along with governance structures, regulatory environments and geographies allows for more accurate benchmarking. The comparison includes a systematic comparison of governance practices and their consequences across exceptional countries to perceive styles and variations, and to highlight how exclusive modes of governance affect monetary balance. The analysis involves breaking down complex governance and monetary statistics into possible additives to understand the underlying relationships and mechanisms relating to the statistical evaluation of key variables. Synthesis combines insights from unique sources and strategies to create coherent and comprehensive information on how corporate governance affects monetary stability.

Analysis and results.

Currently, examining various corporate governance frameworks and their implications for banking stability represents a pressing endeavor. Across the globe, diverse models of corporate governance are implemented in practice, with each country tailoring its approach based on unique contextual factors. These models generally fall into three primary categories.

Corporate governance entails a system of interactions among executives, board members, shareholders, and stakeholders involved in company management. This system influences not only the profits of company owners but also the future investment prospects of the organization (Urinov, Kenjayeva, 2023).

Anglo-American or outsider model. The Anglo-American or outsider model, as mentioned above, represents a governance framework for publicly traded corporations. It relies on external market mechanisms to exert significant control over the management or operational aspects of such companies. This model is prevalent in countries like the United States, Great Britain, Canada, and New Zealand. Within this setup, shareholder interests are represented by a diverse array of investors, whose influence depends on the governance structure of the corporation. Operational decision-making within the corporation is typically delegated to professional managers. However, a primary challenge associated with this model lies in managing the relationships between company founders and the engaged managerial personnel. In such scenarios, the role of the stock market, which plays a pivotal role in overseeing the management of the corporation, becomes increasingly important. The key participants in this model include managers, directors (board of directors), and investors. Additionally, consulting firms providing corporate governance and fiduciary voting advisory services to government entities, stock exchanges, self-regulatory bodies, corporations, and investors are also involved.

Among the countries implementing the Anglo-American model of corporate governance, the United States has the most stringent standards for information disclosure. Other countries following this model also prioritize transparency, but in the United States, corporations are required to disclose various information quarterly.

The impact of the Anglo-American corporate governance model on the financial stability of banks can be either positive or negative, depending on the specific implementation and context of application. Some aspects that may have an impact on the financial stability of banks under this model include:

- Effective risk management: Corporate governance systems, in accordance with the Anglo-American model, can contribute to the development and implementation of effective risk management practices in banks. The presence of independent directors on the board of directors and active participation of stakeholders in the strategic decision-making process can help identify and manage risks, which, in turn, contributes to the financial stability of the bank.

- Transparency and market trust: The Anglo-American model emphasizes transparency and openness in corporate governance, which promotes trust among investors and the market as a whole. A bank's credibility can be enhanced by clear and accessible reporting, which can reduce its cost of capital and strengthen its financial position.

- Management rewards and incentives: The Anglo-American model of corporate governance often assumes a close link between management compensation and the financial success of the company. This can encourage the bank's management to make decisions aimed at improving the financial performance and stability of the bank as a whole.

- Market for Corporate Advocacy: Under the Anglo-American model, there is an active market for corporate advocacy, including opportunities for investors to express their interests through active participation in shareholder meetings, litigation and other mechanisms. This can help prevent undesirable practices and improve corporate responsibility.

However, the Anglo-American model can also have a negative impact on the financial stability of banks if risk is poorly managed, is too short-term focused, and lacks sufficient consideration for the interests of other stakeholders, such as employees and society at large. Such problems can lead to the risk of financial instability and loss of confidence from investors and the public.

The continental (German) or insider model embodies a governance framework for joint-stock companies, emphasizing internal methods of corporate control or self-regulation. This model, typical of Central and Western European countries such as Germany, Holland, Switzerland, Austria, Norway, Scandinavian countries, Belgium, and France, operates on the principle of social interaction. In this model, all stakeholders, including shareholders, managers, employees, banks, and public organizations, have the right to participate in the decision-making process of the joint-stock company. Unlike the Anglo-American model, the German model places less emphasis on stock markets and shareholder value in management, as companies prioritize controlling their own competitiveness and performance.

The development of this model was influenced by various objective and subjective factors. Notably, the high concentration of share capital played a significant role, leading to the dominance of banks in corporate decision-making. In large companies, a considerable portion of shares (over 40%) is owned by five major shareholders, resulting in less liquidity in the stock market compared to the United States and Great Britain. Consequently, the continental model exhibits higher levels of ownership concentration, with strategic investors holding blocked share packages, primarily led by banks. In recent years, there has been an increasing influence of foreign investors on management practices based on the German model.

The Anglo-American and German models of corporate governance represent two conflicting systems that reflect the national characteristics of their respective countries. These models consist of various options, each prioritizing different aspects, such as shareholder interests or social interaction, based on the predominant principles of their system.

The impact of the German corporate governance version at the monetary stability of banks can be decided through a range of factors characteristic of this model.

- Social interplay: The German model emphasizes the participation of all stakeholders, together with shareholders, managers, employees, banks and public corporations, in the selection-making technique. This promotes a balanced technique to governance, which could assist boom believe and stability in the banking sector.

- High awareness of proportion capital: Germany has a high awareness of percentage capital, which guarantees the leading position of banks in corporate governance. This can make contributions to extra powerful manage over the activities of banks and decrease the likelihood of taking unstable decisions.

- Stable lengthy-time period relationships with banks: German organizations frequently maintain long-term relationships with banks, which contributes to the steadiness of financial planning and investing. This can reduce the likelihood of monetary crises and increase the steadiness of banks.

- Features of transparency and lengthy-termism: In Germany, there is a unique emphasis on transparency and long-term management of groups, that can contribute to extra stable and dependable economic reporting of banks, which in turn contributes to expanded investor self-belief and stability of monetary markets.

Overall, the German corporate governance model can have a high-quality effect at the financial balance of banks with the aid of growing a more sustainable and long-term governance strategy focused on social interaction and a high diploma of transparency.

Japan's model of corporate governance changed to a post-World War II form based on financial-commercial corporations (keiretsu), stimulated by the country's political economic situation, culture and traditions, and characterized by a completely closed bank-based establishment. supervision that makes it possible to reduce the difficulty of controlling managers.

The Japanese version of corporate governance is multifaceted and is based around a middle (front) financial institution and a financial business organization (chain) or keiretsu. "The major financial institutions and keiretsu are exceptional, but the factors of the Japanese model complement each other. Virtually all Japanese businesses have close relationships with their shadow banks. The bank provides loans to its corporate customers, issues bonds, stocks, and offers account protection." numbers and providing advice offers.

This model is characterized by the accumulation of a large part of the assets in the hands of massive and medium-sized shareholders who own shares in organizations protected by "keiretsu". This means that 70% of the shares of joint stock companies belong to monetary institutions, but monitoring the liking of corporations is no longer most effective with the help of their shareholders, but in addition through the principle of the monetary institution, which is taken into account to consider as the main creditor. Keiretsu is usually prepared around an unmarried large bank that could provide funding for all groups in a financial-commercial institution.

Boards of Japanese corporations are larger than those in the US, UK or Germany, with an average of fifty contributors. If the corporation's income is lower in a certain time frame, the primary bank and keiretsu participants can support the administrator and appoint their personal nominees. Another custom typical of the Japanese kingdom is the inclusion of former heads of various ministries and enterprises in the company's board of directors. For example, the Japanese Ministry of Finance may additionally appoint a retired government member to the board of directors of a financial institution. In the Japanese version, the composition of the board depends on the financial circumstances of the employer.

As a result of changes in regulation in the United States in recent years, the Japanese version of corporate governance has begun to have a bad impact on effective development. The reason is that, thanks to the boom in overseas institutional investors in the US, Japanese businesses have become more recognized by the market, shareholders and, moreover, in the Anglo-American version.

The impact of the Japanese version of corporate governance on the monetary stability of banks can be determined using the following options of this model:

- Long-term relationships with banks: In the Japanese version, groups usually maintain long-term relationships with banks, referred to as "keiretsu". These relationships are characterized by mutual financial provision and mutual assistance between banks and organizations. This can contribute to funding stability and management opportunities for banks as they have long-term partnerships with large groups.

- Focus on long-term results: Japanese businesses, such as banks, tend to be aware of long-term effects rather than quick-term gains. This can contribute to the improvement of a sustainable and long-term control method, which in turn can increase the stability of banks.

- Government Involvement: In Japan, the government plays a vital role in regulating and supporting the banking machine. This can help ensure the stability and soundness of banks through various mechanisms that include requests from authorities for deposit coverage and regulatory measures.

- Cultural Aspects: The Japanese way of life generally promotes stability and consensus in business relationships. This can help create a more predictable and robust banking environment and reduce the likelihood of economic crises.

However, despite these subtle aspects, the Japanese model can also have its drawbacks, along with gradual reactions to changes in the economy and difficulties in adapting to global changes in the financial field. However, the Japanese model of corporate governance can preferentially contribute to the financial balance of banks through various mechanisms that ensure sustainable and long-term development.

Conclusion.

In conclusion, the examination of corporate governance models and their impact on the financial stability of banks underlines the importance of informational multiple strategies across countries of its kind. Anglo-American, German, and Japanese fashions offer accurate views on corporate governance with astonishing implications for bank balance sheets.

The Anglo-American model favors maximizing shareholder fees and market mechanisms, thus promoting transparency and obligation. While this version emphasizes market area and investor activism, it could additionally face challenging situations related to short-termism and capacity conflicts between shareholders and control.

The German model, on the other hand, emphasizes social interaction and stakeholder participation in decision-making, selling long-term relationships and stability. However, its high capital concentration and reliance on banks may additionally limit liquidity and versatility in economic markets.

The Japanese model is characterized by long-term relationships and government interventions that promote balance but potentially hinder adaptation to changes in the international market. Despite these differences, all three methods contribute to the monetary stability of banks through numerous mechanisms that include contingency management, transparency, and long-term planning.

Going forward, policymakers and stakeholders need to consider the strengths and weaknesses of each version to expand customized processes that enhance banking stability in an increasingly interconnected global economic system. By fostering collaboration and studying multiple governance practices, the financial sector can better manage challenges and foster resilience in the face of uncertainty.

References:

Adams, R., & Mehran, H. (2003). Board structure, banking firm performance and the bank holding company organizational form. FRB of New York Staff Report, (159).

Urinov B.N., Kenjayeva U. F. (2023) "ADVANCED PRACTICES AND MODELS OF CORPOPRATE GOVERNANCE" // SCIENCE AND INNOVATION INTERNATIONAL SCIENTIFIC JOURNAL VOLUME 2 ISSUE 1 JANUARY 2023. UIF-2022: 8.2 | ISSN: 2181-3337 | SCIENTISTS.UZ

Bushman, R. M., & Smith, A. J. (2003). Transparency, financial accounting information, and corporate governance. FRBNY Economic Policy Review, 9(1), 65-87.

Cohen, Daniel A. and Dey, Aiyesha and Lys, Thomas Z., (2007) Real and Accrual-Based Earnings Management in the Pre- and Post-Sarbanes Oxley Periods (June 2007). AAA 2006 Financial Accounting and Reporting Section (FARS) Meeting Paper, Available at SSRN: https://ssrn.com/abstract=813088 or http://dx.doi.org/10.2139/ssrn.813088

Dr Zufar Ashurov (2014) "Improvement of Corporate Governance in the Commercial Banks as the Factor of Sustainable Development of Banking and Financial System" // National Scientific and Practical Conference on "Sustainable Development of Banking and Financial System as the Important Priority of the Economic Policy of Uzbekistan", Tashkent, Uzbekistan

Dr Zufar Ashurov (2014) "The Corporate Governance in Uzbekistan: A special focus on the Board's Supervisory role compared with German practice" // International Scientific Journal" Corporate Board: role, duties and composition.

Kirkpatrick, G. (2009). The Corporate Governance Lessons from the Financial Crisis. OECD Journal: Financial Market Trends, 2009(1), 61-87.