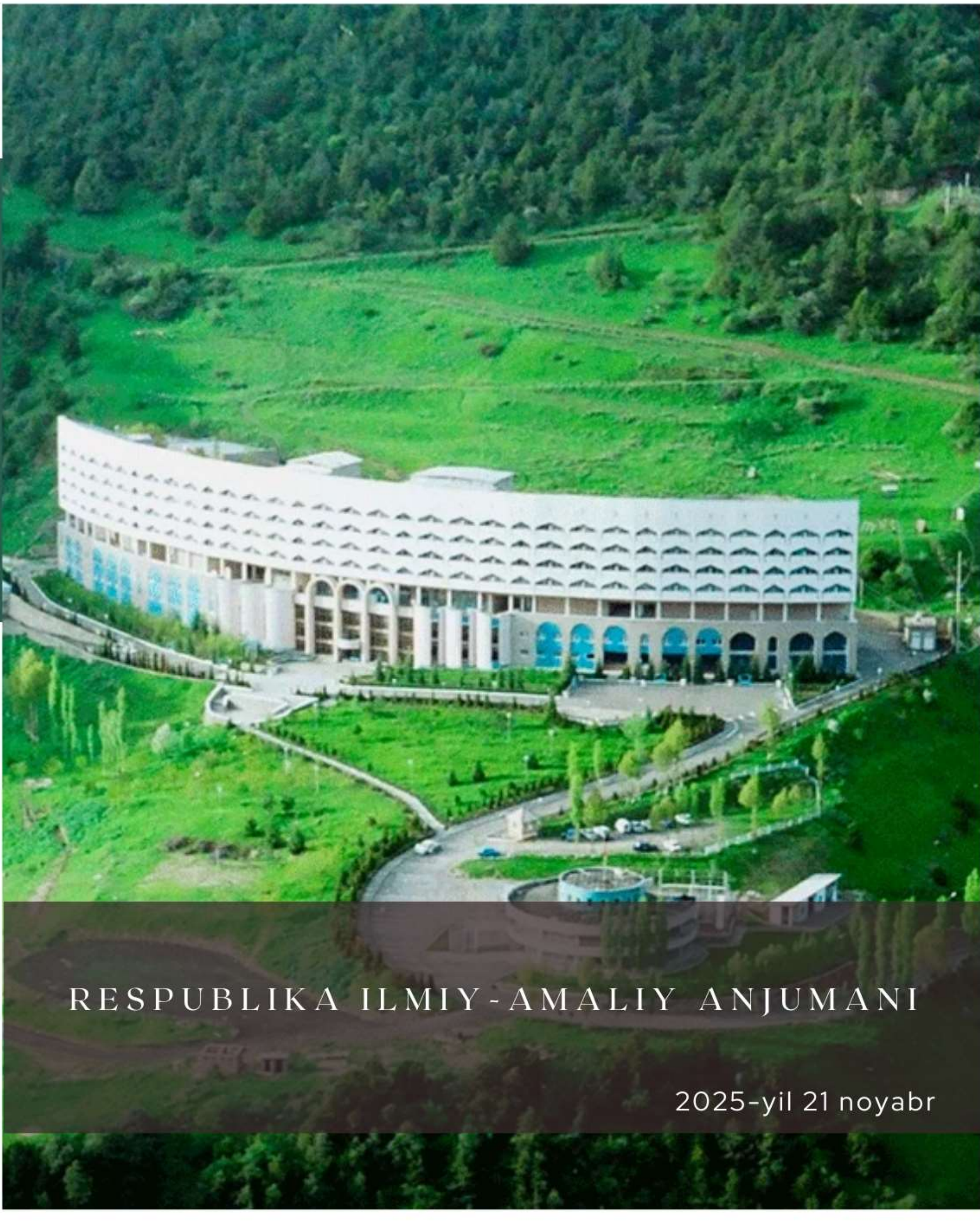
KONFERENSIYA

“JIZZAX VILOYATI IJTIMOIY-IQTISODIY RIVOJLANISHINING ASOSIY YO‘NALISHLARI: MUAMMO VA YECHIMLAR”



RESPUBLIKA ILMIY-AMALIY ANJUMANI

2025-yil 21 noyabr

O‘ZBEKISTON RESPUBLIKASI OLIY TA’LIM, FAN VA INNOVATSIYALAR VAZIRLIGI

MIRZO ULUG‘BEK NOMIDAGI O‘ZBEKISTON MILLIY UNIVERSITETINING JIZZAX FILIALI

JIZZAX VILOYATI IJTIMOIY-IQTISODIY RIVOJLANISHINING ASOSIY YO‘NALISHLARI: MUAMMO VA YECHIMLAR

mavzusidagi Respublika ilmiy-texnik anjuman materiallari to‘plami

(2025-yil 21-22-noyabr)

JIZZAX-2025

Jizzax viloyati ijtimoiy-iqtisodiy rivojlanishining asosiy yo‘nalishlari: muammo va yechimlar. Respublika ilmiy-texnik anjuman materiallari to‘plami – Jizzax: O‘zMU Jizzax filiali Iqtisodiyot va turizm kafedrasi, 2025-yil 21-22-noyabr. 557-bet.

Respublika miqyosidagi ilmiy-texnik anjuman materiallarida zamonaviy kompyuter ilmlari va muhandislik texnologiyalari sohasidagi innovatsion tadqiqotlar aks etgan.

Globallashuv sharoitida davlatimizni yanada barqaror va jadal sur’atlar bilan rivojlantirish bo‘yicha amalga oshirilayotgan islohotlar samarasini yaxshilash sohasidagi ilmiy-tadqiqot ishlariga alohida e’tibor qaratilgan. Zero iqtisodiyotning, ijtimoiy sohalarni qamrab olgan modernizatsiya jarayonlari, hayotning barcha sohalarini liberallashtirishni talab qilmoqda.

Ushbu ilmiy ma’ruza tezislari to‘plamida mamlakatimiz va xorijlik turli yo‘nalishlarda faoliyat olib borayotgan mutaxassislar, olimlar, professor-o‘qituvchilar, ilmiy tadqiqot institutlari va markazlarining ilmiy xodimlari, tadqiqotchilari, magistr va talabalarning ilmiy-tadqiqot ishlari natijalari mujassamlashgan.

Mazkur to‘plamga kiritilgan ma’ruza tezislarining mazmuni, undagi statistik ma’lumotlar va me’yoriy hujjatlarning to‘g‘riligi hamda tanqidiy fikr-mulohazalar, keltirilgan takliflarga mualliflarning o‘zlari mas’uldirlar.

IMPACT OF GOOD CORPORATE GOVERNANCE PRACTICES ON TRANSPARENCY AND FIRM FINANCIAL PERFORMANCE – A GLOBAL PERSPECTIVE

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Abstract: Corporate scandals, often driven by corruption, fraud, and mismanagement and have repeatedly undermined national economies and destroyed shareholders wealth. Weak corporate governance may leads to lost investor trust, impairs transparency, and ultimately damages firm performance. This paper examines major global corporate scandals and evaluates their impact on firms' financial stability. It highlights the need for stronger corporate governance practices to enhance accountability, financial transparency, and long-term sustainability.

Keywords: Corporate Governance, Corporate scandals, Firm Financial Performance.

Introduction

Corporate Governance (CG) refers to the system of rules, ethics, values, and processes through which companies are directed and controlled. It ensures that management remains accountable to shareholders, creditors, employees, customers, and society. A strong governance framework prevents abuse of managerial power, ensures transparency, and promotes long-term growth. (CG) plays an important role in the allocation of resources and returns. It establishes a system whereby directors are entrusted with duties and responsibilities in relation to the direction of the company's affairs. The term "governance" means control i.e. controlling a company, an organization etc., corporate governance is governing or controlling the corporate bodies i.e. ethics, values, principles, morals. CG to be good for meeting firm's responsibilities towards its owners (shareholders), creditors, employees, customers, government and the society at large.

Scope of the Study: This study covers the following areas.

- Comparative global corporate governance practices
- Detailed analysis of major governance failures (USA, EU, Asia, Africa)
- Governance-related scandals in Uzbekistan (2010–2025)
- Relationship between governance quality, transparency, and financial outcomes
- Recommendations for regulators, investors, and managers

Research Objectives:

1. To examine the relationship between good corporate governance practices and transparency across global corporate environments.
2. To evaluate how governance mechanisms influence firm financial performance in developed and emerging markets.
3. To analyze major global and Uzbekistan-specific corporate governance failures and their implications for transparency.
4. To synthesize empirical findings from global literature to understand the determinants of strong governance.
5. To provide recommendations for strengthening governance systems for sustainable financial performance.

Research Approach:

- Qualitative research design: to explore corporate governance structures, scandals, and performance outcomes.
- Descriptive method: to document trends, frameworks, and comparative practices.
- Exploratory method: to identify gaps in governance systems and areas requiring improvement.

Data Collection:

This study relies entirely on secondary data Sources which includes,

- Peer-reviewed journals (Scopus, ABDC, Web of Science)
- Reports from OECD, World Bank, IFC, UNCTAD
- Corporate filings such as annual reports and governance disclosures
- Case studies of corporate scandals (1998–2025)
- Reputed newspapers and magazines (Reuters, Financial Times, The Economist)
- Books and academic conference proceedings

Time period of data: 2015–2025

Limitations of the Study: Despite a comprehensive review, the study has certain limitations:

1. Reliance on secondary data may limit the accuracy of some scandal-related information.
2. Country-level institutional differences make global comparisons challenging.
3. Absence of primary data such as surveys or interviews restricts empirical validation.
4. Literature variation across countries results in uneven depth of data from certain regions.
5. Time-bound review (2015–2025) means more recent developments may not be captured.

Scope for Future Research: Future researchers may extend this study by;

1. Conducting primary data studies (surveys/interviews with corporate leaders, investors).
2. Developing quantitative models to measure governance impact using statistical tools.

3. Exploring ESG integration and sustainability governance in emerging markets.
4. Conducting country-specific case studies on governance reforms (e.g., Uzbekistan).
5. Examining technology-driven governance mechanisms such as AI, blockchain, and digital auditing.
6. Investigating cultural and political influences on governance adoption.

The recent scandals in the corporate sector in countries in the globe have proved that terrible corporate governance has destroyed the wealth of many companies and economies. Here is presented some of the examples for review and to understand the need of good corporate governance practices enhance transparency and improve a firm’s financial performance.

Waste Management Scandal (1998):

Houston-based publicly traded waste management company - The company allegedly falsely increased the depreciation time length for their property, plant and equipment on the balance sheets and reported $1.7 billion in fake earnings. This was caught by a new CEO and management team went through the books.

Enron Scandal (2001):

Houston-based commodities, energy and service corporation – The company kept huge debts off balance sheets and resulted shareholders lost $74 billion, thousands of employees and investors lost their retirement accounts, and many employees lost their jobs. This was causght by internal whistleblower Sherron Watkins; high stock prices fueled external suspicions.

WorldCom Scandal (2002):

Telecommunications company; now MCI, Inc. – The company underreported line costs by capitalizing rather than expensing and inflated revenues with fake accounting entries. Results inflated assets by as much as $11 billion, leading to 30,000 lost jobs and $180 billion in losses for investors. This was caught by WorldCom's internal auditing department uncovered $3.8 billion of fraud.

Tyco Scandal (2002):

New Jersey-based blue-chip, Swiss security systems. - CEO and CFO stole $150 million and inflated company income by $500 million. This was done by Siphoned money through unapproved loans and fraudulent stock sales. Money was smuggled out of company disguised as executive bonuses or benefits. This was caught by SEC and Manhattan D.A. investigations uncovered questionable accounting practices, including large loans made to Kozlowski that were then forgiven.

HealthSouth Scandal (2003):

Largest publicly traded health care company in the U.S. - Faced the problem of Earnings numbers were allegedly inflated $1.4 billion to meet stockholder expectations. This was done by CEO allegedly told underlings to make up numbers and transactions from 1996-2003 and caught by Sold $75 million in stock a day before the company posted a huge loss, triggering SEC suspicions.

Freddie Mac (2003):

Federally backed mortgage-financing giant company intentionally misstated and understated earnings on the books caused $5 billion in earnings were misstated. This was caught by An SEC investigation.

American International Group (AIG) Scandal (2005):

Multinational insurance corporation did allegedly booked loans as revenue, steered clients to insurers with whom AIG had payoff agreements, and told traders to inflate AIG stock price. It resulted Massive accounting fraud to the tune of $3.9 billion was alleged, along with bid-rigging and stock price manipulation. And this was caught by SEC regulator investigations, possibly tipped off by a whistleblower.

Tyco Ltd. (2005):

Tyco International is a diversified manufacturing conglomerate that deals with electronic components, health care, fire safety, security, and fluid control with headquarters in New Jersey. In 2005, its CEO, Dennis Kozlowski, and CFO, Mark H. Swartz, were found guilty of stealing $600 million from the company. These two symbolized the excesses of executive compensation at shareholder's expense, where Kozlowski will be remembered for the $2 million birthday bash he gave his wife on a Mediterranean Island at the company's expense.

Lehman Brothers Scandal (2008):

Global financial services firm purportedly sold toxic assets to Cayman Island banks with the understanding that they would be bought back eventually. Created the impression Lehman had $50 billion more cash and $50 billion less in toxic assets than it really did which resulted the over $50 billion in loans disguised as sales and they Went bankrupt.

Bernie Madoff Scandal (2008):

Bernard L. Madoff Investment Securities LLC was a Wall Street investment firm founded by Madoff was tricked investors out of $64.8 billion through the largest Ponzi scheme in history. This was made Investors were paid returns out of their own money or that of other investors rather than from profits. Madoff told his sons about his scheme and they reported him to the SEC. He was arrested the next day.

Satyam Scandal (2009):

Indian IT services and back-office accounting firm falsely boosted revenue by $1.5 billion. They did falsified revenues, margins and cash balances to the tune of 50 billion rupees and admitted the fraud in a letter to the company's board of directors.

Facebook Data Privacy Scandal (2018):

In early 2018, news sources revealed that over 87 million Facebook users' data leaked to the political consultancy Cambridge Analytica. Worse yet, Facebook admitted they knew Cambridge Analytica had been siphoning off data through a program called This Is Your Digital Life and did nothing about it. Due to the huge breach in privacy, Mark Zuckerberg faced several hearings with U.S. Congress and the European Union. Their stock and public faith in the platform has plummeted since the scandal.

Notable Corporate Governance Scandals in Uzbekistan (2010–2025):

Telecom Corruption Scandal (Gulnara Karimova):

The daughter of late President Islam Karimov, **Gulnara Karimova**, allegedly accepted bribes from telecom companies in exchange for licenses and contracts. The

“Takilant” offshore company reportedly received over €200 million. This case has drawn international attention (FCPA investigations, etc.).

Zeromax Collapse:

Zeromax was a large Swiss-registered conglomerate heavily involved in Uzbekistan’s economy. It went bankrupt in 2010 under mysterious circumstances. Some theories link its collapse with Karimova and misused funds.

Uzbekistan Cough Syrup Scandal (2022–2023)

Toxic cough syrups (e.g., Dok-1 Max) contaminated with harmful substances caused the death of 20 children in late 2022 / early 2023. The scandal exposed regulatory failures in the health system. In 2024, courts sentenced 23 people in connection to the scandal (bribery, negligence, forgery, etc.).

Banking / Credit Fraud (Consumer Credit Fraud)

In 2024, the Ombudsman of Uzbekistan reported a 42% increase in fraud complaints: people’s identity data was misused to take out loans with various banks. Many of these frauds reportedly involve fraudsters posing as bank or Central Bank employees using personal data.

Table 1: Corporate-Governance / Fraud Cases in Uzbekistan

Year(s)	**Case**	**Sector**	**Nature of Governance / Fraud Issue**	**Impact / Consequence**
~2010	Zeromax	Conglomerate	Sudden bankruptcy; opaque ownership; possible misuse of funds	Collapse of a major business group, loss of assets; ties to political figures
~2012	Telecom “Karimova” Bribes	Telecommunications	Bribery for telecom licenses via offshore structure	Hundreds of millions in bribes; international legal scrutiny
2022–2023	Cough Syrup Scandal	Pharmaceuticals / Health	Regulatory failure, bribery, negligence	Dozens of child deaths; criminal prosecution
2024	Credit Fraud via Identity Theft	Banking / Finance	Fraudsters misusing personal data to take out loans	Surge in fraud complaints; damage to consumers and banks

Source: secondary data

Corporate Governance Scandals:

Table 2 furnished that between 2015 and 2025, global corporate scandals revealed several distinct governance trends that shaped regulatory responses and investor perceptions. The period is marked by increasingly sophisticated frauds, ranging from financial misreporting and overstated assets to environmental deception and large-scale misuse of customer funds. A key pattern is the shift from traditional accounting frauds (e.g., Steinhoff, Luckin Coffee, Wirecard) to complex, technology-enabled schemes such as FTX, where digital assets and opaque offshore structures made detection difficult.

Table 2: Major Corporate Scandals and Their Impact

Year	Company / Entity	Country	Nature of Fraud / Misconduct	Financial Impact	How Detected / Status
2015	Volkswagen (“Diesel-gate”)	Germany / Global	Used software to cheat emissions tests	~US$30 billion in fines, recalls, and settlements	Regulatory investigation; US EPA and other agencies exposed the tampering
2017	Steinhoff International	South Africa / EU	Inflated profits and asset values	Losses over R250 billion for investors	Accounting irregularities revealed; investigations, lawsuits, and auditor scrutiny
2020	Luckin Coffee	China / USA	Fabricated sales via coupon “redemptions” and shell companies	~$310 million in fraudulent sales	Discovered after Muddy Waters short-seller report; internal investigation; SEC action
2020	Wirecard	Germany	Over-stated cash balances and invented business units (accounting fraud)	Around €1.9 billion missing / non-existent assets	Auditor failed to confirm cash; whistleblower + regulatory investigations
2022	FTX	USA / Global (Crypto)	Misuse of customer deposits, risky proprietary trading (“Ponzi-like”)	~US$8–16 billion shortfall / customer losses.	Bankruptcy, regulatory investigations, forensic analysis of on-chain flows
2024	China Evergrande Group	China	Huge revenue misstatements, premature recognition of sales, bond issuance fraud	Overstated revenue by ~214 billion yuan in 2019 and ~350 billion yuan in 2020 (~US$78 billion)	China Securities Regulatory Commission (CSRC) investigation, fines, bans on management
2025 (ongoing)	Trafigura	Switzerland / Global	Bribery to government officials (FCPA violations)	Convicted; fine + compensation of $145.6 million + bribery fines	Swiss court conviction; investigations in U.S. (DOJ)
2025	Adani Group (and	India	Alleged fraud and bribery	Ongoing; Indian govt.	Regulatory investigation

	founder Gautam Adani)		scheme: over US$250 million bribes, offshore arrangements, inflated coal import pricing.	& US regulators involved; investment rescue plan ~US$3.9 billion.	s by US DOJ & SEC; domestic probe in India.

Source: secondary data

Another notable trend is the recurring failure of internal and external monitoring systems. Auditors, rating agencies, and regulatory bodies often failed to detect misconduct early, while many scandals were exposed through whistleblowers, short-seller reports, or external investigative journalism. This underlines structural weaknesses in oversight mechanisms across both emerging and advanced economies. Financial impacts also became increasingly severe over the decade, with losses rising into billions of dollars, often destabilizing entire sectors, such as the crypto industry after FTX or the property sector after Ever grand. These events pushed governments and regulators to implement stricter governance and disclosure norms, enhance board accountability, tighten audit rules, and increase cross-border regulatory cooperation.

Good Corporate Governance and Its Importance:

Good corporate governance refers to establishing a well-structured and effectively managed system within an organization that ensures transparent, ethical, and accountable relationships among the board of directors, management, employees, shareholders, and other stakeholders. According to PTT Public Company Limited, it emphasizes building reassuring and trustworthy connections among these groups while protecting the interests of all stakeholders. In a similar perspective, the ASX Principles of Good Corporate Governance and Best Practice Recommendations (2003) define good governance as a structure that encourages companies to create value while maintaining accountability.

Corporate Governance as a Critical Investment Criterion

Corporate governance has become an essential factor in investment decisions worldwide. Numerous empirical studies demonstrate a positive correlation between strong corporate governance and firm financial performance. Consequently, investors carefully evaluate the extent to which companies comply with governance principles, disclosure norms, and regulatory requirements before making investment choices. Hence, corporate governance has emerged as a crucial determinant of investor confidence and capital allocation.

Benefits of Good Corporate Governance for Companies

From a corporate perspective, high-quality governance provides several advantages:

- Lower cost of capital due to reduced perceived risk.
- Enhanced access to financing and improved liquidity.
- Increased market credibility, preventing well-managed firms from being excluded from capital markets.

To understand how shareholders value good governance, McKinsey’s global surveys (1999–2002) involving more than 200 institutional investors across Asia, Europe, the U.S., and Latin America reveal striking results:

- Around 75% of investors considered board practices as important as financial performance.
- Over 80% were willing to pay a premium for shares of companies with strong governance systems.
- Companies with higher governance quality exhibited higher Price-to-Book ratios, especially in Hong Kong’s GEM Index.
- Good governance could boost market valuation by 10–12% (McKinsey, 2000).
- In 2002, many investors stated they were willing to pay up to 30% more for well-governed companies.
- Investors prioritized timely and extensive disclosure, independent and effective boards, and performance-based compensation.

These findings continue to be validated in studies conducted until 2025, particularly in emerging markets such as India, China, and Southeast Asia.

Corporate Governance as a Strategic Management Tool

Corporate governance is a core dimension of modern business management and strategic decision-making. In a narrow sense, it addresses the relationships among shareholders, managers, auditors, and other internal stakeholders (Pandya, 2011). In a broader perspective, it influences market confidence, capital market efficiency, economic stability, and national economic development.

Two conceptual views of governance are often highlighted:

1. **Restrictive View** – Governance acts as a legal mechanism ensuring that managers serve the owners' interests.
2. **Broader View** – Governance is a system to protect and balance the interests of all stakeholders (Cretu, 2012).

Governance and Firm Performance:

A long-standing question is whether firms with strong governance systems demonstrate superior operational and market performance. Empirical findings support this relationship:

- **Jensen and Meckling (1976)** argue that effective governance enhances financial returns by reducing agency conflicts.
- **Daily and Dalton (1994)** warn that weak governance increases bankruptcy risk, while strong governance improves investor confidence.
- **Coombes and Watson (2000)** highlight that investors pay higher premiums for well-governed firms, though the premium varies among countries.

Good corporate governance influences firm performance in two principal ways:

1. **Higher share price multiples**

   Investors expect fewer diverted cash flows and higher returns through dividends or reinvested profits.
2. **Lower cost of equity capital**

Improved governance reduces monitoring, auditing, and supervisory costs, making equity financing cheaper.

Additionally, leverage (use of debt) can provide external monitoring through creditors, linking capital structure choices to governance quality.

Conclusion:

Corporate governance is essential for ensuring organizational transparency, accountability, and long-term sustainability. The global corporate scandals highlight the devastating effects of weak governance frameworks. Strengthening corporate governance practices not only restores investor confidence but also improves financial performance.

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