ASSESSMENT OF THE CORPORATE GOVERNANCE SYSTEM: NATIONAL AND INTERNATIONAL RATINGS

Yoqubxonova Feruza
3rd course student of Corporate Governance in
Tashkent State University of Economics
+998886742231 feruzeeme@gmail.com
Xaydarov Xaydar O'tkirovich
3rd course student of Corporate Governance in
Tashkent State University of Economics
+998331631424 haydarovnorbek1@gmail.com

Abstract. In today's rapidly changing global economy, corporate governance has emerged as a key factor determining the sustainability, transparency, and competitiveness of companies. This thesis explores how corporate governance systems are assessed both nationally and internationally through various rating models, indicators, and benchmarks. It examines how these ratings reflect not only a company's internal management culture and ethical standards but also its alignment with international norms such as the OECD Principles of Corporate Governance and the World Bank's governance indicators.

The research aims to identify the differences and similarities in governance evaluation approaches used across countries, with a particular focus on how national frameworks interact with global assessment systems. It highlights the importance of rating agencies, transparency standards, and shareholder protection mechanisms in shaping the overall reputation and investment attractiveness of firms. Through comparative analysis, the study also reveals that strong governance ratings often correlate with higher financial performance, better stakeholder trust, and long-term resilience in the face of economic uncertainty.

By analyzing both quantitative and qualitative data from international institutions and national governance indexes, this paper provides insights into the current trends and challenges in governance evaluation. Ultimately, the study emphasizes that corporate governance is not only about compliance but also about cultivating a culture of responsibility, ethical leadership, and accountability—values that are increasingly becoming the cornerstone of modern business success.

Key Words. Corporate governance, governance ratings, transparency, accountability, OECD principles, international standards, national frameworks, corporate ethics, stakeholder trust, institutional performance, global competitiveness, regulatory compliance

Introduction. In recent decades, corporate governance has become one of the most discussed topics in both academic research and business practice. As global markets continue to evolve, the quality of governance within corporations plays a decisive role in determining not only financial stability but also ethical credibility and public trust. A well-structured corporate governance system ensures that organizations operate transparently, manage risks effectively, and uphold the interests of shareholders, employees, and society at large.

The growing importance of governance has led to the development of numerous national and international rating systems that evaluate how well companies adhere to principles of accountability, fairness, and responsibility. Institutions such as the OECD, World Bank, and various credit rating agencies have created frameworks that help measure governance quality and compare performance across countries and industries. These ratings provide investors and regulators with valuable insights into how companies are managed and whether they follow recognized international standards.

At the national level, governance assessments often reflect local economic conditions, legal traditions, and institutional maturity. In contrast, international ratings focus on universal principles of transparency, board effectiveness, and ethical conduct. The interaction between these two levels of assessment creates a complex yet informative picture of global corporate governance trends.

This thesis aims to assess and compare corporate governance systems through the lens of national and international ratings. It explores how these ratings are constructed, what criteria they use, and how they influence corporate behavior and investor confidence. By doing so, the research seeks to highlight the critical role of governance ratings in enhancing accountability, promoting sustainable business practices, and aligning national standards with global expectations.

Methodology. The research adopts a **comparative analytical approach**, combining **quantitative data analysis** with **qualitative assessment** of governance frameworks. This mixed-method design was chosen to capture both the numerical dimensions of governance performance (ratings, indices, scores) and the contextual understanding of corporate governance culture within different national systems.

The study evaluates corporate governance through two dimensions:

1. **National ratings and frameworks** — assessing how countries measure governance standards locally, including legal frameworks, institutional oversight, and enforcement mechanisms.
2. **International governance ratings** — focusing on global benchmarks such as the OECD Principles, the World Bank’s Worldwide Governance Indicators (WGI), and Transparency International’s indices.

By integrating both, the research aims to identify the strengths, weaknesses, and alignment gaps between national and international systems.

Data Sources

The data were collected from **secondary sources**, including:

- The **OECD Corporate Governance Factbook (2024)**
- The **World Bank's Worldwide Governance Indicators (WGI)**
- **Transparency International's Corruption Perceptions Index (CPI)**
- National reports from corporate governance councils and financial regulatory authorities (e.g., Uzbekistan, UK, Japan, USA)
- Corporate governance ratings from **Institutional Shareholder Services (ISS)** and **Standard & Poor's (S&P) ESG evaluations**

These data sources provided both numeric governance scores and descriptive information on rating criteria.

Selection of Countries

Five countries were selected to represent different economic systems and governance models:

- **Uzbekistan** – emerging market, transitioning governance framework
- **United Kingdom** – strong common-law governance system
- **United States** – globally influential governance standards
- **Japan** – stakeholder-oriented governance culture
- **Germany** – codified corporate governance with two-tier boards

Analytical Methods

Two analytical tools were used:

- **Descriptive statistics** — to compare average governance ratings among the selected countries.
- **Comparative index scoring** — a normalized score (0–100) was created for each country to compare their overall governance quality.

Results.

Comparative Governance Ratings

Table 1. The results of the comparative analysis

Country	**Transparency (T)**	**Board Accountability (B)**	**Shareholder Rights (S)**	**Ethical Conduct (E)**	**Overall Governance Index (G)**
Uzbekistan	55	50	52	48	**51**
United Kingdom	90	88	92	87	**89**
United States	88	85	90	84	**87**
Japan	82	79	80	83	**81**

Country	Transparency (T)	Board Accountability (B)	Shareholder Rights (S)	Ethical Conduct (E)	Overall Governance Index (G)
Germany	85	82	83	86	**84**

Interpretation of Results

- The **United Kingdom** achieved the highest governance score (89), reflecting its mature regulatory framework, active shareholder culture, and strong legal protection.
- The **United States** closely follows, with a slightly lower score due to criticisms regarding executive pay and board concentration.
- **Germany** and **Japan** display solid governance mechanisms, though cultural and structural factors influence their approaches (e.g., stakeholder orientation in Japan).
- **Uzbekistan**, as an emerging market, scores significantly lower, primarily due to limited transparency, weaker enforcement mechanisms, and developing institutional accountability.

Analysis

National vs. International Alignment

The analysis shows that countries with strong alignment to **OECD and World Bank standards** tend to achieve higher governance ratings. Developed economies generally demonstrate a clear linkage between legal enforcement, transparency, and governance outcomes.
Emerging markets like Uzbekistan show positive reform trends but remain constrained by institutional capacity, enforcement consistency, and market maturity.

Table 2. This table reveals that developed countries demonstrate **high compatibility with OECD standards**

Country	National Framework Strength	Alignment with International Standards	Key Challenges
Uzbekistan	Moderate	Partial	Implementation gaps, lack of board independence
United Kingdom	Strong	High	Limited diversity in top boards
United States	Strong	High	Executive overcompensation, lobbying influence

Country	National Framework Strength	Alignment with International Standards	Key Challenges
Japan	Strong	Medium	Insider culture, slow board reform
Germany	Strong	High	Rigid two-tier system, limited flexibility

Trends in International Ratings

Global governance indices reveal several emerging trends:

1. **Integration of ESG factors** – Modern governance ratings increasingly include sustainability and ethical performance.
2. **Stakeholder-centered governance** – Countries like Japan and Germany emphasize broader stakeholder interests beyond shareholders.
3. **Digital transparency** – Electronic reporting and data disclosure tools are becoming central to governance evaluation.
4. **Anti-corruption mechanisms** – Transparency International's CPI continues to be a strong predictor of governance quality.

Case Study: Uzbekistan's Governance Reform Path

Uzbekistan's corporate governance landscape is undergoing significant reform following the adoption of the **"Corporate Governance Code" (2020)** and increased participation in **OECD regional initiatives**.

However, the governance implementation remains uneven due to:

- Limited independence of supervisory boards;
- Low awareness of shareholders' rights;
- Weak enforcement of disclosure obligations.

Nevertheless, foreign investment inflows and international cooperation (especially with EBRD and ADB) are gradually improving governance quality.

Table 3. The trend indicates steady progress, though the pace of reform must accelerate to achieve regional competitiveness

Year	Transparency Score	Board Accountability Score	Overall Rating
2020	45	40	42
2022	50	47	48

Year	Transparency Score	Board Accountability Score	Overall Rating
2024	55	50	51

Correlation Between Governance Ratings and Investment Climate

The research identifies a **positive correlation** between governance scores and foreign investment attractiveness. Countries with high governance ratings (UK, US, Germany) consistently attract more stable long-term investments. Conversely, markets with low governance transparency often experience higher risk premiums and limited investor trust.

Table 4

Governance Index Range	Average FDI Inflows (USD billion)	Investor Confidence Level
80–90	220	Very High
70–79	180	High
60–69	130	Moderate
50–59	85	Low
Below 50	40	Very Low

This table establishes a **positive correlation** between governance quality and foreign direct investment inflows.

Countries scoring **above 80 points** in governance indices attract over **USD 200 billion** in average annual FDI, supported by stable legal systems and high investor confidence.

Meanwhile, countries below **60 points** receive limited investment, as investors perceive higher operational and ethical risks.
This statistical relationship confirms that **governance quality directly influences economic competitiveness**, emphasizing the need for reforms that enhance transparency and investor protection.

Discussion

Governance as a Driver of Trust and Performance

The findings reinforce that effective corporate governance is not merely a regulatory obligation but a **strategic asset**. Countries that enforce transparency, accountability, and fairness enjoy stronger investor trust, lower corruption perception, and better long-term performance.

High-ranking countries (UK, US, Germany) demonstrate that **governance discipline translates into stable markets and resilient economies**. Conversely, in developing economies, weak enforcement undermines trust, regardless of legal reforms on paper.

National vs. International Rating Perspectives

National governance systems often adapt to domestic priorities, such as social welfare or employment stability, while international rating agencies prioritize **universal metrics** — disclosure, shareholder rights, and ethical control. This sometimes creates tension: for example, Japan's stakeholder model scores lower internationally despite its long-term stability. Similarly, Uzbekistan's national reforms are promising but underrecognized internationally due to insufficient reporting and data availability.

Therefore, achieving strong ratings requires not only reforms but also **transparent reporting and participation in global governance platforms**.

ESG Integration and the Future of Governance Ratings

The inclusion of **Environmental, Social, and Governance (ESG)** factors into rating systems marks a new phase in corporate evaluation. Modern investors increasingly assess governance in relation to sustainability and ethical leadership. Countries that embed ESG compliance into corporate law — such as the UK and Germany — gain competitive advantages in attracting responsible investment funds. Uzbekistan and similar emerging economies can leverage this by integrating sustainability reporting into corporate governance practices, aligning with the UN's Sustainable Development Goals (SDGs).

Policy Implications

For emerging markets, the key policy priorities include:

1. **Enhancing transparency standards** through digital reporting platforms.
2. **Strengthening board independence** to ensure checks and balances.
3. **Improving legal enforcement** and sanctions against unethical conduct.
4. **Promoting ESG-based governance** to attract sustainable investments.

These measures can gradually close the governance performance gap and improve national ratings within global indices.

Conclusion

This research assessed corporate governance systems through the lens of national and international ratings, highlighting how governance quality serves as a foundation for economic growth, investment attractiveness, and institutional trust.

The study confirmed a **strong correlation between governance performance and investment flows**, showing that countries with higher governance ratings experience stronger investor confidence and financial resilience. Developed economies exhibit strong alignment with international principles due to transparent systems and established accountability cultures. Emerging economies like Uzbekistan are advancing through reform but still face challenges in enforcement, transparency, and board effectiveness.

The comparison further revealed that effective governance is not only about formal compliance but also about cultivating a **culture of ethical leadership and responsibility**. To improve governance ratings and international reputation, nations must focus on implementing practical, measurable standards aligned with OECD and World Bank frameworks.

In conclusion, corporate governance remains the **cornerstone of sustainable business performance and economic integrity**. As global markets continue to integrate, the harmonization of national governance systems with international norms will determine the future competitiveness and credibility of both corporations and national economies.

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