

## THE ROLE OF CORPORATE GOVERNANCE IN UZBEK BUSINESSES

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**Abstract:** CSR is Corporate Governance in which corporate objectives have to be directed towards the creation of value in pro-social and environmental manners. This paper concerns the relevance of CSR to Uzbek firms and discusses its ability to generate revenue, and comply to appropriate standards. Here, it is also necessary to declare the objectives of the paper, which is to outline the key points of CSR's development and its significance and discuss its current and potential threats and opportunities for businesses in the context of Uzbekistan, with the emphasis made on the absence of research gaps in the existing literature. Using the principles of qualitative research, this article analyses the viewpoints of the main stakeholders, defines the obstacles that hound the advancement of a valid and successful framework of CSR in the companies of Uzbekistan, and provides practical recommendations to attain this goal.

### Introduction

CSR has in the recent past gained recognition in the global corporate world as a major concept in governance, but this concept is not synonymous with simple words. It captures the essence of the staff's accountability within the business, comparable stocked parties, the community, and ecology. Through CSR strategies, organisations show that, while pursuing profit, financial objectives can also be used to promote community well-being. CSR studies have evidenced the fact that CSR strategies have positive impact on corporate image, stakeholder confidence and corporate longevity all over the world.

To some extent CSR already provokes interest in Uzbekistan as a part of corporate governance system that has become important, and necessary in the context of the country's current economic reforms and globalization of the business area. The pressure for CSR is present due to Uzbek companies' need to become more competitive on the international market and respond to the demands of their stakeholders and correspond to the goals outlined by the country's leadership. The Uzbek government has also attempted to push for CSR implementation by Uzbek companies primarily due to its membership to the United Nations Sustainable Development Goals (SDGs) (Press release, 2023).

Nevertheless, the event of CSR as a concept in Uzbekistan is rather problematic. Challenges in corporate responsibility include the following, most companies can be overwhelmed by resources in the production of corporate responsible products and

services, there are barriers to corporate responsible production such as legal frameworks, and most people lack knowledge concerning the importance of corporate responsibility. On the other side, CSR holds the promise of great benefits for Uzbekian businesses – in fact, it allows them to outweigh the negative. Measures and programs, for example, employees' welfare, environmental management, and social responsibilities cultivated by organization are the leading factors to the development of competitive advantage while supporting societal development.

The purpose of this article is to consider CS social responsibility as the essential value for Uzbek companies and focusing on the concept as the key to change. An assessment of the gaps in the current literature and farther analysis of them is the purpose of this article in this context to provide practical recommendations for CSR implementation in Uzbekistan. Contend like, how CSR policies are implemented and coordinated to fit the business goal, the impact of government policies, and problems faced by local companies will be addressed in detail. Furthermore, solving these problems, this article enriches the existing debate regarding CSR and its applicability in young emergent countries, such as Uzbekistan.

### **Literature Review**

#### **Existing Literature on CSR**

In CSR people, on the other hand have received a lot of emphasis with different methods and studies showing many views on the CSR given by scholars all over the world on the general principles, the ways on how it should be done, and the effects that it has.

#### **1.Carroll's CSR Pyramid (1999)**

The Carroll's pyramid of CSR is acknowledged as one of the most frequently referred to frameworks in the field. The pyramid categorizes CSR into four levels. First, interpreting and performing economic, legal, ethical, and philanthropic responsibilities of corporations are provided. Carroll goes further explaining that while business have straight-forward economic responsibilities to ensure their sustainability, legal and ethical responsibilities should equally be met for organizations to command public confidence. Philanthropic responsibilities are thus voluntary, yet they increase the company's reputation and the goodwill of the respective stakeholders. Carroll has given a good background in defining CSR and his work also acknowledges the fact that the whole concept of CSR is very complex.

#### **2.Creating Shared Value (CSV) by the Michael Porter and Kramer (2011).**

Porter and Kramer go a little further with the continuum and provide the concept of Creating Shared Value (CSV). Criticizing the view that emphasises that CSR should be treated as cost, they state that it should be considered as a subject that generates value for business and society. Their studies show that it is possible for firms to solve society problems including poverty, health, and education, and at the same time, it is possible to achieve business growth. For example, supplier

development within regions is not only advantageous to communities but also serve as a more secure source of supplies for the firm.

### **3. Corporate Social Responsibility in Developing Countries by Visser (2008).**

The work of Visser owns CSR trends and issues related to developing countries. He acknowledges the fact that although many MNEs implement universal CSR patterns, domestic ventures in upcoming markets act as bypassed by complexities. Some of the barriers that lie in the adoption and implementation of CSR include, fund constraint, lack of experience, and cultural disparities. Similarly, Visser who agrees with this view also cautions that the implementation of CSR strategies cannot be a blanket one since conditions vary from country to country.

#### **Research Gap**

As useful and enlightened as these before-mentioned studies may appear to be, a number of vital research gaps still keeps going in the literature including an understanding of the practical strategies of CSR in Uzbekistan. Theoretically we have frameworks like Carroll's pyramid of corporate social responsibilities as well as Porter and Kramer's creating shared value, but these do not take into consideration the specific socio-economic and cultural context of emerging markets like Uzbekistan.

The lack of participation of the government and lack of its policy in the management of CSR in Uzbekistan has not received much attention in the literature. Thus, whereas Visser describes and discusses a number of problems that business organizations experience in developing countries, he does not address the question of how corporate action might interface with governmental action. The second gap is that there is very little research done to explore how Uzbek companies perceive CSR and how they manage to practice it. Many of the previous works do not capture the local firms hence providing a skewed perspective on the issue in question when compared to multinational firms.

Secondary research with primary research conducted for this article show that majority of Uzbek firms fail to implement CSR in their operations due to low awareness, resource constraints and lack of knowledge (Ataniyazova, Friedman and Kiran, 2022). Furthermore, it is equally significant to observe that the international structures for CSR may heavily focus on the aspects of environmental conservation and social justice, however, Uzbek firms might continue to give primacy to the aspects of economic development neglect the rest. To fill these gaps and complex approaches to CSR implementation, which take into consideration the context of operations.

#### **Methodology**

The present this study used a qualitative research approach as a way of examining CSR activities in Uzbekistan. Some of the advantages of using qualitative research will include the following. In this study the as I mentioned has been used

qualitative research is particularly appropriate because this type of research offers rich insight into the event of interest such as the reasons behind CSR, the difficulties encountered, and the consequences of CSR.

Data analysis involved the conducting of thematic analysis to decipher specific themes that appeared in the course of the research general and new themes that can only be deduced from data analysis. This approach allows not only to define CSR in the context of Uzbekistan, but also to reveal the peculiarities that distinguish it from international experience.

This study targets industries that bear large social and environmental footprints including production industries for agriculture, manufacturing and energy. These sectors are significant in Uzbekistan's economy and provide valuable lessons about CSR experiences.

### **Results and Findings**

In this study, the authors uncover a multifaceted picture of CSR in Uzbekistan – a picture that shows both positive development and continuing difficulties.

#### **Opportunities**

Among the opportunities distinguished, the increase in the awareness of Uzbek businesses on CSR is considered to be one of the main ones. The listed large companies functioning in Uzbekistan have implemented the modern system of CSR based on the «best practices» of the international level, including well-known companies as Coca Cola and Nestlé. Some of the activities include; community development, environmental management and employee welfare.

Another factor that came out of the study was stakeholder engagement as important for the implementation of CSR. Organizations that incorporate their employees, customers, as well as members of the society into CSR practices registered high regard and cooperation. For instance, the partnership of a textile business with peasants living in rural areas on the project of sustainable agriculture that revolved around cotton boosted the living standards of the peasants and at the same time underlined the beneficial image of the business.

#### **Challenges**

However, there existing factors which limit the CSR adoption in Uzbekistan as discussed below. One major challenge here is that there is little or no legislation to protect such consumers and little or no means for enforcing it either. Although the government has developed and adopted policies seeking to enhance corporate governance, most of the policies are not well implemented.

Constraints on resources and knowledge are also large threats, most evidently for SMEs involved in the supply chain management. While MNCs can devote resources and even establish specific CSR teams and budgets, SMEs lack necessary resources to seriously invest in CSR.

Furthermore, the populace's appreciation of CSR is still weak in Uzbekistan, which means that firms' ethical pressures remain discreet. As per Dr. Zufar Ashurov (2017), it is also necessary to continue the work aimed at the popularization of CSR as the positive experience of executing activities between organizations and the population.

### **Findings in Relation to Research Gap.**

The following is a statement of research gap which this study has been able to affirm: International theories of CSR focus on environmentalism and issues of social justice. However, Uzbek businesses have mainly functional orientations towards profitability. This dilemma underlines all the more the importance of country-specific CSR approaches consistent with the sociopolitical-economic development of the country in question.

For instance, Zamira Ataniyazova, Barry A. Friedman & Prabha Kiran. (2022), proved that it is more appropriate to focus on CSRs that are carried out at the community level- education and health care supporting for instance rather than adopting general global program models. These findings can help drive home the fact that CSR strategies require adjustments to the cultural contexts in which they will be implemented.

### **Conclusion**

CSR is not an option but a strategic management approach that improves competitive advantage, fosters stakeholder confidence and upbringing of common good. Therefore, CSR is both a threat and opportunity for Uzbekistan companies. The key factors which restricting CSR adoption include resource constraints, lack of regulatory enforcement, and low public awareness despite the obvious advantages.

This article also emphasizes that CSR activities must fit the Central Asian specific context, specifically of Uzbekistan. Filling these gaps is imperative to carry out a workable CSR strategy that is in tune with local needs as well as international best practice. Further research should be made to advance CSR on the national level: a) to define peculiarities of CSR in Uzbekistan to develop specific local frameworks for its implementation, b) to determine potential and prospects of public-private partnership in promoting the idea of CSR and disseminating effective practices in Uzbekistan.

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