

## TRANSFORMATION OF INDUSTRIAL ENTERPRISES

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**Annotation.** In this article, the need to implement comprehensive reforms to accelerate the transformation of state-owned companies in the implementation of structural changes in the economy is emphasized.

**Key words.** Transformation, transformation of commercial banks, market economy, economic management bodies, privatization.

In recent years, systematic reforms have been implemented in our country in order to create a favorable investment environment and protect the rights and legal interests of private property owners.

In the Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis in 2021, the economic reforms implemented in order to liberalize the economy of our country and ensure stable growth rates in the sector and tasks that should be implemented in the future were defined.

In particular, it was emphasized that comprehensive reforms should be implemented in order to accelerate the transformation of state companies in the implementation of structural changes in the economy.

**Transformation is an institution that accelerates the economy.**

It is known that the long-term preservation of the state's share in the relevant sectors of the economy and large enterprises leads to a delay in the transition to market mechanisms, increase in labor productivity, production of new types of competitive products and introduction of advanced technologies in the field, new work with active involvement of private capital. has a negative effect on the creation of firms.

For this purpose, state enterprises will be transformed. That is, the transformation program includes a set of activities aimed at increasing the efficiency of their production, purchasing, selling and investment activities and increasing the quality of products. As a result, the competitive position of state enterprises in the international market, the participation of private capital in their activities, the creation of a modern corporate management system based on openness and transparency will be ensured.

**Reforms implemented in the reform of state-owned enterprises.**

In the address of the head of state, it was noted that most of the state-owned enterprises are a heavy burden to the state due to their financial instability, and therefore, the reform program of all state-owned enterprises is being implemented this year. In particular, a number of reforms were implemented in order to reduce the state participation in the economy and thereby create ample opportunities for the private sector. In particular, the activities of nearly 3,000 state-owned enterprises were fully studied, and relevant measures were developed to sharply reduce the share of state-owned enterprises in the economy and increase their efficiency.

According to the Decree of the President of the Republic of Uzbekistan dated October 27, 2020 "On measures to accelerate the reform of state-owned enterprises and privatization of state assets" № PD-6096, 32 large state-owned enterprises and the list of associations has been confirmed.

Also, the Department of Transformation of Large State-Participated Enterprises was established within the structure of the Ministry of Finance, which is directly involved in the transformation of state-owned enterprises.

#### **Transformation of commercial banks is the main direction of banking system reform.**

As a result of the reforms carried out in the banking and finance sector, which is one of the leading sectors of the economy, necessary legal conditions were created to strengthen the competitive environment in this sector. In particular, the Law of the Republic of Uzbekistan "On the Central Bank of the Republic of Uzbekistan", "On Banks and Banking Activities", which meets international standards and creates an attractive economic and legal environment for foreign investments in the sector. Updated laws "On regulation of currency" and "On payments and payment systems" were adopted.

At the same time, in accordance with the "Strategy for reforming the banking system of the Republic of Uzbekistan for 2020-2025", approved by the Decree of the President of the Republic of Uzbekistan № PD-5992 of May 12, 2020, increasing the popularity and quality of banking services to fundamentally transform the banking sector. In order to ensure the implementation of these tasks, a project office on transformation and privatization of commercial banks with state shares was established under the Ministry of Finance of the Republic of Uzbekistan.

This project office was authorized to engage international consultants as consultants in the process of transformation and privatization of commercial banks, and to negotiate and conclude deals with international financial institutions and potential foreign investors on the issues of transformation and privatization of commercial banks. To date, negotiations are being

conducted with the involvement of foreign consultants on the transformation of 8 commercial banks and the sale of state shares.

**Determining the legal status of economic management bodies is a logical continuation of transformation processes.**

In order to continue economic reforms in accordance with the requirements of the market economy, deepen administrative reforms, widely introduce the principles of corporate governance, optimize economic management bodies and increase the effectiveness of organizing their activities, a number of works have been carried out in our country.

However, due to the fact that the legal status of economic management bodies and the clear limits of interaction with the enterprises within them have not been determined, it is the reason for the scattered activities of economic management bodies and the possibility of obtaining open and reliable information about them is limited.

For this reason, it is appropriate to adopt a separate comprehensive law on economic management bodies in order to reform state enterprises operating as economic management bodies, and to legally strengthen transformation processes. Through this, scattered norms in this field are systematized in a single, directly applicable legal document. As a result, as the head of our state stated in his Address, the participation of the state in the economy will be reduced, and the creation of the legal framework necessary to ensure the effective operation of economic management bodies will be ensured.

In order to rapidly introduce consumer-oriented modern management methods, openness, transparency and market principles in state-owned enterprises, increase revenues by reducing costs, create wider opportunities for private capital participation in the process of reforms, reduce state participation in the economy and further improve the competitive environment:

On March 29, 2021, the decision of the Cabinet of Ministers № 166 "On approval of the management and reform strategy of state-owned enterprises in 2021-2025" was adopted.

The decision approves the strategy of management and reform of state-owned enterprises in 2021-2025 and the "roadmap" and target indicators for its implementation in 2021-2022.

The strategy was developed with the participation of experts engaged by international financial institutions, in particular, the European Bank for Reconstruction and Development, and includes a number of standards. Including:

- Draft Laws of the Republic of Uzbekistan "On State Property Management" and "On Privatization";

- Determining the criteria for ownership of enterprises with state participation (natural monopoly, operating in the field of strategic interest, etc.) a new practice will be introduced, which will be forced to sell if not given;
- Establishing commercial and non-commercial goals for state-owned enterprises, creating equal conditions for state-owned enterprises and non-state legal entities, including turning all state unitary enterprises into economic societies, separating the ownership (shareholder, participant, founder) and regulatory functions of the state;
- Elect the members of the management bodies step by step, on the basis of a competition, attract independent members to the supervisory board, establish committees under it, terminate the activity of audit commissions;
- Introducing the practice of hearing information about the performance of enterprises and the implementation of the Strategy in the chambers of the Oliy Majlis of the Republic of Uzbekistan, creating a website of enterprises, etc.

At the same time, within the framework of the decision:

- Independent election (appointment) of the executive body and supervisory board members of state-owned enterprises based on the principles of corporate governance (general meeting of shareholders, supervisory board and founding decisions);
- Establishment of a supervisory board, internal audit service, audit committee within the supervisory board in state-owned enterprises;
- Establishment of a "compliance system" service in joint-stock companies whose shares are included in the stock exchange quotation sheet and the state's share is more than 50 percent;
- Forming a summary report on the results of the activities of state-owned enterprises and posting them on the official website of the State Asset Management Agency every year from 2022 until August 1 of the next financial year.

As a result of the implementation of the strategy, the share of independent members in the supervisory boards of state-owned enterprises will be gradually increased to 30%, the number of state-owned enterprises will be reduced to 75%, and primary and secondary public placement of shares of 20 state-owned enterprises.

The main goals of the strategy are as follows:

- Improvement of legislation on management and reform of enterprises;
- Constantly reducing the number of state-owned enterprises;

- Introducing modern methods of corporate management in enterprises and ensuring the openness and transparency of their activities.

In fact, the head of our state emphasized in his Address that in 2021, the transformation of 32 large enterprises and industries of strategic importance will be carried out, and the wide introduction of digital technologies in the activities of banks will be in the center of attention.

At the same time, the delay in the transition to market mechanisms in some industries and large enterprises, where the state share is preserved, hinders the creation of new types of competitive products, the introduction of advanced technologies, the increase of labor productivity, and the creation of new jobs with the active involvement of private capital.

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