

YALPI YIG‘ILISH

APPRAISING CSR REPORTING PRACTICES AS AN INDICATOR OF CORPORATE HEALTH WITH REFERENCE TO UZBEKISTAN

Dr Shobhit Goel

Associate Professor,

Amity University in Tashkent

Email.: drshobhitgoel@gmail.com

Abstract

In the developing world, governments and businesses understand that their respective competitive positions and access to capital increasingly depend on being able to respect the highest global standards. At one end of the spectrum, CSR can be viewed simply as a collection of good citizenship activities being engaged by various organizations. At the other end, it is a way of doing business resulting in a significant impact on community and long-term sustainability. The present paper is an attempt to deliberate the significance of adequate disclosure of CSR practices as an indicator of corporate health.

Keywords: CSR (Corporate Social Responsibility), Stakeholders, Corporate Reporting, Corporate Responsibility Index, PAT

Over the past few years CSR, as a concept, has been the focus of many deliberations and research. It captures a spectrum of values and criteria for measuring a company’s contribution to social development. A widely cited definition of CSR in the business and social context has been given by the **European Union (EU)**. It describes CSR as “*the concept that an enterprise is accountable for its impact on all relevant stakeholders.*” It is the continuing commitment by business to behave fairly and responsibly and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large.

In other words, CSR refers to confirming the success of the business by inclusion of social and environmental considerations into a company’s operations. It means satisfying your shareholders’ and customers’ demands while also managing the expectation of other stakeholders such as employees, suppliers, and the community at large. It also means contributing positively to society and managing your organization’s environmental impact.

Hence, CSR is a contribution to sustainable development, inferring the way a company balances its economic, environmental, and social objectives while taking care of stakeholder expectations and incrementing shareholder value.

CSR not only includes the activities but also includes the ways by which the company employs to earn these profits including society responsible investments ensuring transparency to various stakeholders. The basic objective of CSR is to maximize the company’s overall impact on the society and stakeholders while considering environment and overall sustainability.

CSR Policy Initiatives at global platform

As the importance of being socially responsible is being recognized throughout the world, governments are aware of the national competitive advantages won from a responsible business sector. Large corporations have gradually realized the benefit of implementing CSR initiatives in their business operations. The Organization for Economic Co-operation and Development (OECD) established a set of guidelines for multinational enterprises in 1976 and was thus a pioneer in developing the concept of CSR globally. The purpose of these guidelines was to improve the investment climate and encourage the progressive contribution of multinational enterprises to ensure economic and social progress. In addition to the OECD's 30 member countries, 11 observer countries have validated the guidelines.

CSR Reporting

It is observed that, transparency in reporting enhances the focus on economic, social, and environmental factors. Several efforts have been taken by various governments, to encourage CSR reporting, such as incentivizing companies who voluntarily report their CSR activities or by taking measures such as mandating CSR reporting. In 2007, the Malaysian government passed a regulation to mandate all publicly listed companies to publish their CSR initiatives in their annual reports on a "comply or explain" basis. Accordingly, all public listed companies (PLCs) in Malaysia must either publish CSR information or they need to explain why they should be exempted. In another example, in 2009 Denmark mandated CSR reporting, asking all state-owned companies and companies with total assets of more than €19 million, revenues more than €38 million and more than 250 employees, to report their social initiatives in their annual financial reports.

Mandatory and Voluntary Reporting

Although some CSR standards are mandatory, there are others, which comprise of both, mandatory and voluntary standards. For instance, in 2006 the British Companies Act mandated all companies listed in the UK to include information about their CSR activities in their annual reports; however, a full-length CSR reporting was made voluntary.

Corporate Responsibility Index (CRI)

CRI challenges and supports large organizations to integrate responsible business practices. Emerging markets such as Brazil, China and South Africa have become forerunners in CSR reporting in the developing world in terms of their involvement in CSR-related activities to promote the listed companies' credibility, transparency, and endurance. The Johannesburg stock exchange was the first emerging market stock exchange to create a socially responsible investing (SRI) index in 2004. China has also encouraged CSR reporting in guidelines released through the Shanghai and Shenzhen Stock Exchange.

Evolution of CSR in Uzbekistan

Corporate Social Responsibility (CSR) is becoming increasingly important in Uzbekistan as businesses strive to be more socially responsible and sustainable. In recent years, there has been a growing awareness of the need for companies to take responsibility for the impact they have on society and the environment. This has been

reflected in the increasing number of Uzbek companies who are adopting CSR initiatives.

One area where CSR is particularly important in Uzbekistan is in the agricultural sector. Uzbekistan is one of the largest cotton producers in the world, and the cotton industry has been the subject of much criticism due to environmental and human rights concerns. Many companies are now implementing initiatives to address these issues, including reducing water usage, and eliminating child labor.

Another area where CSR is important in Uzbekistan is in the promotion of education and training. Many companies are now investing in education programs for their employees and in local communities, as they recognize the importance of a well-educated workforce for the long-term success of their businesses.

In addition, CSR initiatives are also focusing on environmental sustainability. Companies are investing in renewable energy sources, reducing waste, and implementing green policies in their operations.

Overall, CSR is becoming an increasingly important aspect of business in Uzbekistan. Companies are recognizing the importance of social responsibility and sustainability and are taking action to address key issues in the country. This is a positive development for Uzbekistan, as it will help to promote a more equitable and sustainable society.

Review of Related literature

Corporate Social Responsibility in Uzbekistan: Current State and Future Prospects by **Shakhnoza Khashimova and Sarvaroy Olimjonova (2019)**.

This article analyzes the legal and policy framework of CSR in Uzbekistan and assesses the level of awareness and practice among businesses and civil society organizations. The authors argue that while there is some progress, more needs to be done to promote CSR as a sustainable and strategic approach to business development and societal well-being.

The Role of Small and Medium-Sized Enterprises in Corporate Social Responsibility in Uzbekistan by **Nargiza Yakubova and Feruza Qodirova (2018)**.

This study explores the challenges and opportunities of integrating CSR into the operations of small and medium-sized enterprises (SMEs) in Uzbekistan, based on a survey and interviews with SME owners and managers. The authors suggest that CSR can enhance the competitiveness, reputation, and social impact of SMEs, but requires supportive policies, capacity-building, and stakeholder engagement.

Corporate Social Responsibility Reporting in the Mining Sector of Uzbekistan by **Zilola Hadjieva and Mukhammadullo Khojimetov (2017)**.

This research investigates the transparency and accountability of CSR reporting practices in the mining industry of Uzbekistan, focusing on the environmental, social, and governance (ESG) indicators used by the top mining companies in their annual reports. The authors find that there is a gap between the rhetoric and reality of CSR in the mining sector and suggest that more independent and robust monitoring and regulatory mechanisms are needed to ensure compliance and responsiveness to stakeholders.

The Impact of Corporate Social Responsibility on Brand Image: Evidence from Uzbekistan by **Dilnoza Sobirova and Shakhzod Abdullaev (2016)**.

This paper examines the relationship between CSR activities and brand image of companies in Uzbekistan, using a survey of consumers' perceptions and attitudes towards selected firms. The authors find that CSR can enhance the reputation and loyalty of brands, especially in terms of ethical and social dimensions such as environmental protection, community involvement, and employee welfare.

The Business Case for Corporate Sustainability in Uzbekistan: Challenges and Solutions by **Lola Palavandishvili and Rustam Turaev (2015)**.

This article argues that corporate sustainability, which encompasses CSR, environmental management, and social entrepreneurship, can create shared value for companies, society, and the environment in Uzbekistan, but requires a systemic and transformative approach. The authors propose a framework for integrating sustainability into business strategy, operations, and governance, and provide examples of best practices and barriers to overcome.

Mandatory requirements for CSR

In Uzbekistan, the mandatory requirements for Corporate Social Responsibility (CSR) are outlined in the Law on Corporate Social Responsibility, which came into force on January 1, 2020. The law requires companies with more than 100 employees or a turnover of more than 5 billion soums (approximately \$500,000) to implement corporate social responsibility programs.

Some of the mandatory requirements for CSR in Uzbekistan include:

1. Companies are required to establish a CSR committee or working group to oversee the implementation of their CSR programs.
2. Companies must allocate at least 3% of their net profit towards corporate social responsibility programs.
3. The law requires companies to disclose their CSR activities in their annual reports and on their websites.
4. Companies are required to give priority to social and environmental issues related to their industry and locality.
5. CSR programs must focus on areas such as education, health, environmental protection, social welfare, and support for vulnerable groups.
6. Companies are encouraged to collaborate with local communities and NGOs to implement their CSR programs.

It is important to note that failure to comply with the mandatory CSR requirements in Uzbekistan can result in administrative fines and other penalties.

Compliance Procedure

In anticipation of the change, companies now need to put in place some compliance procedures and introduce an adequate governance framework which commences with

1. Establishing a CSR committee
2. Defining a CSR policy
3. Identification of projects based on the proposed thematic areas. (Projects that have a high social impact and are measurably addressing a social development issue will have to be undertaken.)
4. Identify capable implementation partners based on a sound due diligence process and determine accountability of an organization before engaging with them.

5. Companies will also have to monitor projects, evaluate effectiveness, and measure the impact created.

6. All these actions will be required to be documented, reported, and disclosed formally to all stakeholders.

Companies in Uzbekistan are required to comply with CSR guidelines and report their CSR reporting practices:

1. Know the applicable laws and guidelines: Companies should understand the local laws and guidelines related to CSR in Uzbekistan, such as the Uzbekistan National Concept on Corporate Social Responsibility.

2. Identify CSR priorities: Companies should determine their CSR priorities and align them with the local and national development goals, such as poverty reduction, environmental protection, and social inclusion.

3. Implement CSR programs: Companies should implement CSR programs to tackle specific issues related to their business operations and supply chains in Uzbekistan. For example, a company could launch a sustainable sourcing program to support local farmers and reduce the environmental impact of its products.

4. Monitor and evaluate CSR programs: Companies should monitor and evaluate the effectiveness of their CSR programs regularly. This could involve setting up key performance indicators (KPIs) and conducting impact assessments.

5. Report on CSR practices: Companies should report on their CSR practices to stakeholders, including investors, customers, and employees. This could involve publishing CSR reports or disclosing information on the company's website.

In summary, companies operating in Uzbekistan can comply with CSR guidelines and report on their CSR practices by following the above steps. However, it is important to note that specific compliance procedures and reporting practices may vary depending on the company's size, sector, and operations.

The relevance of CSR within an organization

CSR is not only relevant because of a changing policy environment but also because of its ability to meet business objectives. Undertaking CSR initiatives and being socially can have a host of benefits for companies such as the following:

- Strengthening relationships with stakeholders
- Enabling continuous improvement and encouraging innovation
- Attracting the best industry talent as a socially responsible company
- Additional motivation to employees
- Risk mitigation because of an effective corporate governance framework
- Enhanced ability to manage stakeholder expectations.

These benefits are important and most companies that are engaged in CSR are revamping their strategies and expanding their operations to reap enhanced benefits and contribute to inclusivity in growth.

What the companies in Uzbekistan are doing as a part of CSR initiatives

The analysis regarding the CSR initiatives which the companies in Uzbekistan are undertaking are done on three parameters which are.



The **Design** category focuses on understanding the partnership preference and the implementation mechanism for CSR activities. The **Deliver** category aimed at identifying the thematic areas that best describe the company’s activities and their geographic focus. The **Disclose** category provides an insight on how companies are disclosing their CSR activities and sharing their learning with the public.

DESIGN

There are several platforms in use by companies to manage CSR. The survey was conducted using an online questionnaire with closed-ended and open-ended questions. A total of 150 companies were invited to participate in the survey, of which 75 responded. The survey was conducted in April 2021, and the respondents were from various industries, including manufacturing, retail, and services.

Most of the companies surveyed (68%) consider CSR as important or particularly important for their businesses. However, only 34% of the respondents have a formal CSR strategy, indicating that there is a gap between awareness and implementation of CSR.

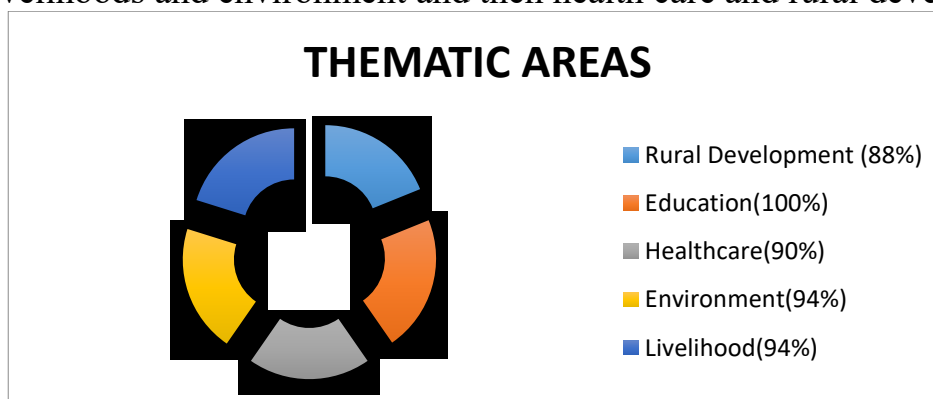
When asked about the types of CSR activities they engage in, the most common response was community engagement (71%), followed by environmental protection (55%) and employee welfare (49%). In contrast, only 26% of the companies surveyed reported engaging in activities related to human rights and social justice.

The survey revealed that there are several constraints to the implementation of CSR in Uzbekistan. These include a lack of knowledge and understanding of CSR principles (reported by 67% of respondents), insufficient financial resources (55%), and a lack of supportive legal and regulatory frameworks (31%).

The survey also highlighted several opportunities for companies to engage in CSR activities. These include enhancing their brand reputation and image (reported by 82% of the respondents), improving employee motivation and productivity (69%), and aligning with international standards and expectations (47%).

DELIVER

The research focused on understanding broad thematic areas such as education, health care, environment, livelihood, rural development, and disaster relief as a focus of CSR initiatives. Most common thematic area covered by the companies include health, education, livelihoods, environment, and rural development. Of these thematic areas, education is the most common and research indicates that 100% of the companies included in the research were found to have some initiatives on education followed by livelihoods and environment and then health care and rural development,



DISCLOSE

One of the key focus areas of research was to determine whether companies disclose their CSR initiatives in the public domain either through a sustainability report or a specialized CSR report. The research also determined whether the allocated budget or the total expenditure for CSR activities was disclosed in the public domain. Approximately 66% of all the considered companies had compiled a report regarding their CSR activities. Among these, 19 publish a sustainability report and 5 publish a business responsibility report whereas 9 report their CSR activities under other titles such as CSR Activity report, CSR Brochure, Report of Inclusive growth, amongst others. Out of the 75 companies only 36% had specified details about the funds allocated/spent on CSR activities.

FRAMEWORK FOR EFFECTIVE CSR

Companies are contributing to the foundation of CSR in Uzbekistan. They have, with their desired methods of intervention, been addressing national concerns such as livelihood promotion, community development, environment, making health services more accessible, creating inclusive markets and so on. However, the efforts are not coordinated and a strategic national level policy framework with the involvement of all stakeholders is needed to ensure that the efforts made by companies, individuals, organizations, and the government are synergistic and create a snowball effect.

The mandatory reporting standards being introduced will aid in creating uniformity and accountability of actions and become a measure of the impact these activities will have, and the ability measure the impact will be a step in a positive direction. Even the tools that have been developed for measuring social return on investment can be employed more effectively. Law on Corporate Social Responsibility 2020 will cover more than 2,500 companies in Uzbekistan. It is imperative that the Law on Corporate Social Responsibility will be a game changer and infuse new investments, strategic efforts and accountability in the way CSR is being conceived and managed in Uzbekistan.

The key to maximizing returns for all the stakeholders in the given situation is to emphasize on developing effective and need-based CSR strategies so that the investments can yield intended results. Effective CSR can be achieved by aligning CSR initiatives to the extent possible with business objectives. As far as possible, the CSR initiatives should be designed in a sustainable manner and should be scalable and result oriented. Therefore, creating indirect advantages such as brand visibility, social capital, partnerships, business opportunities, long-term community relationships and most importantly nation building.

Framework for effective CSR



Conclusion

The above analysis indicates that companies in Uzbekistan need to revisit their CSR policies and strategies to adequately adapt their activities to the requirements of the Law on Corporate Social Responsibility. Once the guidelines related to the CSR clause are finalized, companies will have adequate information related to the terms of permissibility of the expenses that will be counted as CSR and possible thematic areas and activities that could be considered for CSR. However, Law on Corporate Social Responsibility is noticeably clear on the requirement of reporting of the CSR activities and expenses. This is one area where many companies must focus and evolve mechanisms to regularly document, collate and analyze data regarding CSR activities and prepare a CSR report to share at the public domain for all stakeholders.

Corporate social responsibility (CSR) has become increasingly relevant in the context of Uzbekistan, particularly in sectors such as textiles and agriculture where environmental and social issues are not always given sufficient attention. The government has recognized the importance of CSR, including holding various conferences and workshops, and promoting CSR in relevant sectors. However, there is still a long way to go to ensure that all businesses are fully engaged in CSR activities.

Corporate Social Responsibility (CSR) has become an increasingly prominent issue in the modern business world, where companies are viewed as responsible for the social and environmental impact of their activities. In Uzbekistan, the concept of CSR is still relatively new, despite the country's growing economic significance in Central Asia. This literature review examines the current state of CSR in Uzbekistan, focusing on the opportunities and challenges faced by companies operating in the country.

Uzbekistan has made significant strides in recent years towards adopting international business standards and improving business practices. This is reflected in the country's increasing openness to foreign investment and ongoing economic reforms. However, there is still a significant gap between the potential for CSR in Uzbekistan and its actual implementation. Many companies in the country are still focused primarily on achieving their financial targets, without taking the social and environmental impact of their operations into account.

A study conducted by the United Nations Development Programme (UNDP) found that there is a general lack of awareness about CSR among Uzbek businesses. Furthermore, the same report highlights the need for greater involvement of government and civil society organizations in promoting CSR practices in the country. The lack of institutional support for CSR presents a significant challenge for companies that want to implement CSR practices in Uzbekistan. In addition, companies operating in the country must navigate complex regulations and often opaque business practices.

Despite these challenges, there are some positive developments to be noted in Uzbekistan. For example, many companies are beginning to recognize the importance of promoting sustainable practices and are taking steps to reduce their environmental footprint. In addition, civil society organizations are increasingly active in promoting CSR in Uzbekistan, organizing conferences and workshops to raise awareness and promote best practices.

Overall, the current state of CSR in Uzbekistan remains in its infancy. While there are some positive developments to be noted, there are significant challenges to

overcome for the country to fully embrace the concept of CSR. For CSR to take root in Uzbekistan, greater institutional support is needed, as well as stronger partnerships between businesses, government, and civil society organizations. Only through these efforts can Uzbekistan move towards a more sustainable and responsible business culture.

This report has highlighted the initiatives taken by various companies operating in Uzbekistan in terms of their CSR activities. Companies are undertaking various initiatives such as investing in education, healthcare, and environmental protection, and are working to ensure sustainable and equitable development.

However, there are still challenges that need to be addressed, such as overcoming a lack of awareness and understanding amongst companies about the importance of CSR, and the need for more comprehensive CSR reporting and accountability mechanisms.

This report has demonstrated the importance of CSR in Uzbekistan and the positive impact it can have for both businesses and society. It is essential for all stakeholders, including the government, non-governmental organizations, and businesses themselves, to work together to create a more socially and environmentally responsible business environment in Uzbekistan.

The Present paper shows that there is an increasing awareness of the importance of CSR among companies operating in Uzbekistan. However, there is a need for more training and education programs to increase knowledge and understanding of CSR principles, and for supportive legal and regulatory frameworks to encourage companies to engage in CSR activities. The paper also demonstrates that companies can benefit from the implementation of CSR with improved brand reputation, employee motivation, and alignment with international standards.

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IMPROVING THE EFFICIENCY OF CORPORATE GOVERNANCE IN STATE-OWNED COMPANIES

Sachdev Ramakrishna

CEO of Marco Polo mVentures company

Email: Sachdev.Ramakrishna@gmail.com

Abstract

This research paper aims to uncover the best corporate governance practices through the evolution of this sphere over 30 years of improved management approaches in some of the largest Central Public Sector Entities (CPSEs). The paper traces the development of public-sector or state-owned companies in India and then moves to contemporary approaches to improving corporate governance in these companies. The methodology used is secondary research of publications and resources from agencies such as the World Bank, OECD, the Government of India, Ministry of Finance etc.

Keywords: Corporate Governance, India, Public Sector Undertakings, PSU, Central Public Sector Entities (CPSEs), State-Owned assets, Corporate Governance Scorecard