

## **Abstract of Doctoral Dissertation**

### **Title: The effects of corporate governance on economic growth through financial sector development: An empirical study in case of Uzbekistan.**

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Nowadays, corporate governance issues have become the most popular and highly debated research topics in the global financial market due to the worldwide financial crises. According to Babic (2003), corporate governance is recognized as a modern driver for economic growth. In emerging countries like Uzbekistan, banking sector and stock market are integral parts of the financial sector, so their well-being is an imperative constituent for domestic economy. The expansion of both banking sector and stock market significantly affects economic development (Beck T., Levine R., 2004). Uzbekistan has also brought more attention for the corporate governance issues in banking sector by accepting necessary financial reforms and corporate governance policies; however, most banks have not yet had an effective corporate governance practice. Unfortunately, there is a lack of related academic research in the area of corporate governance - economic growth linkage from financial sector perspectives in Uzbekistan. Therefore, we intend to study the effect of corporate governance on economic growth through the development of banking sector and stock market in case of Uzbekistan over the period of 2003-2018. To carry out our investigation, we employ four different models and econometric techniques to measure corporate governance mechanisms impact on economic growth through financial sector development.

The main findings of this study are fourfold. Initially, there is a significant space for improving the overall performance of the banking sector through privatization of the biggest state-owned banks as well as decreasing share of government in other banks with a state ownership by implementing good corporate governance practice in financial sector of Uzbekistan. Secondly, we find that corporate governance itself is not enough for increasing the soundness of banking sector, stock market development is also considered as a key driver for improving on the soundness of banking sector in Uzbekistan. Thirdly, investor protection is recognized as an effective corporate governance mechanism whereas government mechanism on corporate governance is not confirmed as an effective tool to encourage lower of cost equity capital in financial sector. In addition, the expansion of stock

market is not at certain level where can reduce the cost of equity capital in banking sector of Uzbekistan. At the last not least, banking sector has a substitution effect while stock market has a complementary impact on economic growth in short run and in long run. In addition, in long run banking sector and stock market have asymmetric effects on economic growth, on average, *ceteris paribus*. To sum up, it can be concluded that corporate governance is very crucial towards further economic growth through financial sector development in Uzbekistan.