THE ADVANTAGES AND DISADVANTAGES OF JOINT STOCK COMPANIES IN THE ECONOMY

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Abstract. This scientific article provides an analysis of the principles of organization and functioning of a joint stock company in Republic of Uzbekistan. The article was substantiated features of the activities of joint stock companies (JSCs), also developed scientific and practical conclusions.

Keywords: Authorized capital, corporation, equity financing, joint stock company, share, shareholder.

INTRODUCTION.

In the Republic of Uzbekistan, the process of formation of market relations is intensively going on. A concrete confirmation of this is the introduction of the securities market into economic practice. Joint-stock companies in the republic are represented mainly by large industrialists. Key players in this market include Uzbekneftegaz JSC, Almalyk and Navoi mining and metallurgical plants, Uzbekugol, Uzkimyosanoat, Uzavtosanoat and a number of other industrial giants [1,2,3].

According to the current legislation, a joint-stock company is a company, the authorized capital of which is divided into a certain number of shares. The participants of the joint-stock company are not liable for its obligations and bear the risk of losses associated with the activities of the company, within the value of the shares they own. Shareholders who have not paid in full for the shares are jointly and severally liable for the obligations of the joint-stock company within the unpaid part of the value of the shares they own.

METHODS OF RESEARCH

In order to develop scientific proposals and practical recommendations for the activities of joint-stock companies and improve their financing, the article used methods such as generalization, grouping, systematic approach, analysis and synthesis, comparison.

RESULTS AND DISCUSSION

The joint-stock form allows attracting into one enterprise the capital of many persons, even those who themselves cannot, for any reason, engage in entrepreneurial activity. In addition, the limitation of liability to the amount of the contribution made, together with its high diversification, makes it possible to invest in very promising, but also in highly risky projects, significantly accelerating the implementation of the achievements of scientific and technological progress. There are also many other positive aspects of the joint-stock form of ownership, making it truly universal and applicable wherever there is a need and opportunity to limit the scope of an entrepreneur's liability.

The latter circumstance is especially important in an unstable economy, when an unforeseen situation in production can lead to huge losses, debts, which may not have enough of all available property to repay. Individual entrepreneurs and some legal entities with a different organizational and legal form are subject to similar liability. Joint-stock companies make it possible to use material and other resources more efficiently, to optimally combine the personal and public interests of all participants.

Joint-stock companies, which are the main form of organization of modern large enterprises and organizations around the world, represent the most perfect legal mechanism for organizing the economy on the basis of combining the property of individuals, corporations of various types and other bodies. The main features of this type of society are:

division of the share capital into equal, freely tradable shares - shares;

- limiting the liability of participants for the company's obligations only by contributions to the capital of the company;

- the statutory form of the association, which makes it easy to change the number of participants and the size of the share capital;
- separation of the general management from the management of the enterprise itself, which is concentrated in the hands of a special body the board of the company.

To improve production efficiency in a developed economy, the ability of enterprises to flexibly use various market instruments and mechanisms in the process of financing their economic activities is of particular importance. In a perfect market, equal taxation rates for various financial instruments and the absence of regulatory measures, any structure for financing an enterprise should not significantly affect its performance and profitability.

However, in real conditions, enterprises often face various risks, which determines a certain hierarchy of forms and sources of financing, including the use of financial instruments of the securities market. In order to attract investments, enterprises - joint stock companies, also called corporations, can issue both equity securities (ordinary and preferred shares) and debt securities (primarily bonds). Each of these types of securities occupies a certain place in the system of sources of financing, has characteristic features, and accordingly, performs its specific functions in the modern economy. Differences in the scale of development of stock markets and corporate bond markets in individual countries are associated with the historical features of the functioning of their financial systems and the existing structure of capital ownership, which predetermined special forms of relations with enterprise owners.

Joint-stock entrepreneurship has gone through a long evolutionary path of development, in the process of which its constant improvement took place. At the same time, his key idea, consisting in limiting the risk of joint-stock company participants by the volume of their investments in shares and forming associated capital on this basis, retained its significance throughout the entire period of development. The organizational and legal features of the functioning of joint-stock corporations objectively provide them with exceptional opportunities in attracting investments through the issue of securities [4,5,6,7].

In this context, the share not only acts as a key structural element of such an organizational and legal form of enterprises, which is a joint-stock company, but also as a flexible financial instrument that ensures the accumulation of investment resources necessary for conducting business activities of a corporation. In the twentieth century, the processes of formation of joint-stock companies are intensified, bringing special dynamism to the development of entire industries and spheres of the economy; their area of distribution is expanding significantly.

Over the past decade, corporatization has contributed to the development of financial funds, private pension funds, insurance, which are the basis of a modern system of social security, education, and medical care in countries with developed market economies. Today joint-stock companies are rightfully one of the most significant institutions of the market economy, the very form of organization of which allows them to finance economic (including investment) activities through the issue of securities, especially shares. It is on the basis of joint-stock ownership and share capital that not only a reliable basis for economic progress has been formed, but also adequate conditions for the concentration of capital and business.

The current stage of development of corporatization is characterized by the following distinctive features:
- powerful concentration of capital through mergers and acquisitions of joint stock companies, creating strategic alliances on this basis;
- globalization through the organization of subsidiaries in the most attractive foreign markets and the distribution of goods and services outside their country;
- internationalization of capital, manifested in the growth of the number of transnational companies attracting the cheapest investments, regardless of their country of origin, ensuring the integration of industrial and banking capital, as well as pursuing a policy of diversifying organizational forms and directions of their activities.

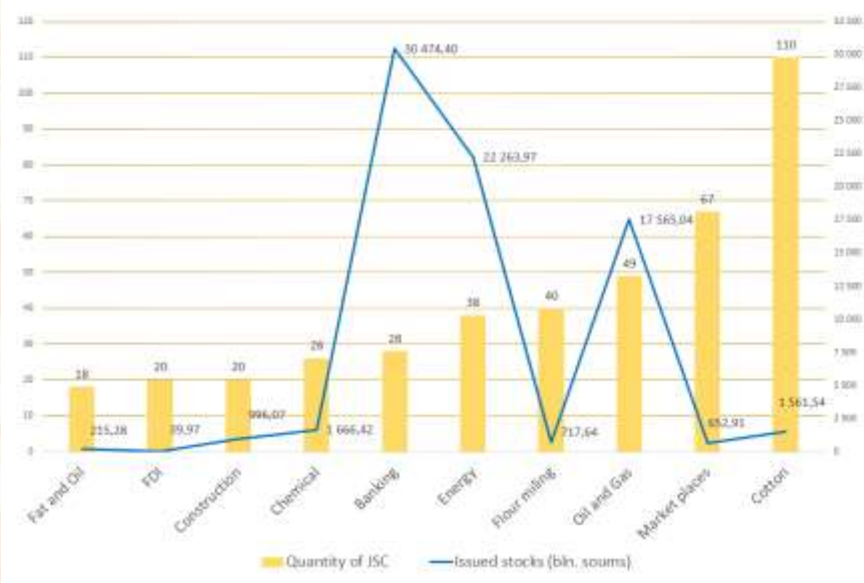

Fig. 1. Main 10 fields of joint-stock companies [8].

The main advantages of a joint stock company as a type of commercial organization are:

1. The ability to mobilize through the issue of securities (both equity - shares and debt with different characteristics) significant investment resources in the amounts necessary for the functioning of a joint-stock company (corporation), providing its great financial power.
2. Limited risk and possible financial losses of shareholders in the event of a corporation's bankruptcy (shareholders are not liable for the corporation's debts, risking only the amount of their investments in the corporation's shares), the possibility of obtaining liquidation value.
3. Continuity of existence (corporations are created for an indefinite period), which can be limited by the process of liquidation of the corporation (voluntary or compulsory in the event of bankruptcy).
4. The versatility of a joint stock company as an organizational and legal form: it can be successfully applied in various sectors of the economy, both in large and medium and small enterprises.
5. The possibility of alienating shares in favor of third parties, which serves as the basis for liquidity, without affecting the current functioning of the corporation (shares are transferred from one owner to another, but the corporation's assets remain its property as a separate legal entity).
6. A unified set of shareholders' rights rigidly enshrined in legislation and the charter, clear regulation of individual procedures and mechanism for the functioning of a joint-stock company (corporation).
7. The need to disclose information by corporations in the securities market helps to fill the "information gap" about real and / or potential partners and counterparties, to form public opinion, image, contributing to the practical implementation of other advantages.

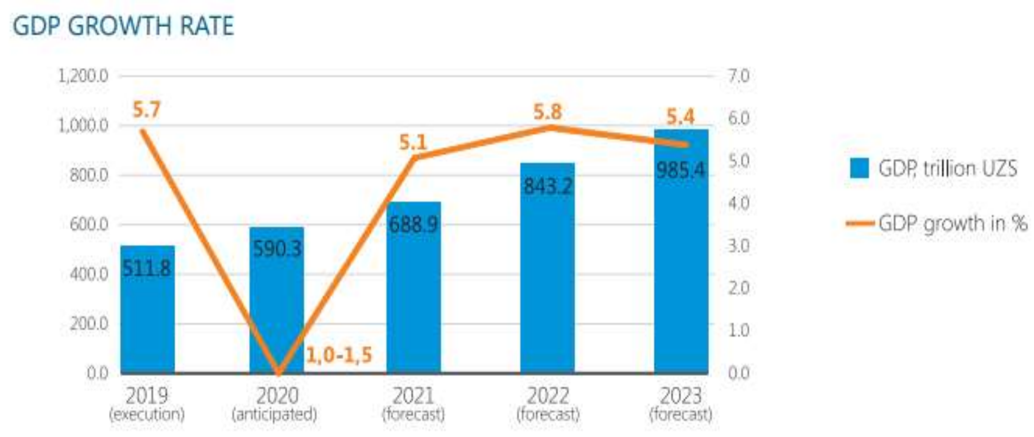

Fig. 2. Impact of joint-stock enterprises on GDP [9].

At the same time, the joint-stock form of enterprises has certain disadvantages, which include the following:

1. Attracting investments by issuing securities requires labor and material costs, although the success of the placement of securities is not guaranteed and depends not only on the nature of the investment projects (programs) carried out at the expense of mobilized funds, but also on the conjuncture of financial markets.
2. In the event of liquidation of a joint-stock company (in case of bankruptcy), there is a very high probability that shareholders may not receive anything after settlements with the corporation's creditors; there is a risk of complete loss of capital (within the value of the stake).
3. A corporation as a type of business organization presupposes a special procedure for paying income to investors - in the form of dividends, which often creates the problem of double taxation (corporate profits and shareholders' income).
4. Along with the costs of creating a corporation, there are significant costs for its further maintenance (including the preparation of reports, audit reports, holding meetings of shareholders).
5. If it is necessary to extract the money spent on the acquisition of shares, the shareholder has no right to demand from the corporation their return or redemption of the shares from him (except in certain cases); however, the sale of shares to third parties does not guarantee full reimbursement of funds contributed when purchasing them.
6. Corporations are subject to numerous special rules governing various aspects of their activities, established by various authorities and enshrined in their bylaws.
7. The need for wide disclosure of information on the securities market, as a rule, is not always desirable, since it requires not only certain financial costs, but also there is a possibility of its use for their own purposes by competing structures. In the economic literature, the following main goals associated with the issue of shares are usually identified.

Ultimately, as a result of the practical implementation of the equity financing scheme, the initiator of the project gets the opportunity to implement it by attracting investments and maximizing profits, and investors (shareholders) receive the shares of an attractive enterprise with the right to receive dividends. Therefore, the issue of common and preferred shares as a way to attract investment has significant advantages for issuing companies, since it allows obtaining additional financing on economically beneficial terms and practically indefinitely.

CONCLUSION

As a result of the research carried out, the following conclusions were formulated:

1. Joint-stock companies are created without limiting the period of activity, unless otherwise stipulated in their charter. Companies are legal entities, have a company name, a registered trade mark, a seal with their name and trade mark. The company acquires the rights of a legal entity from the moment of its registration. Joint-stock companies have full economic independence in matters of determining the form of management, making economic decisions, marketing, setting prices, wages, and distribution of net profit. The company has the right to perform all actions stipulated by law.
2. Despite some shortcomings of enterprises in the form of joint-stock companies, they also have many priorities. Also, these enterprises have an organizational and legal form that has been gaining and improving for centuries, making a huge contribution to the country's gross domestic product. In particular, the role of joint-stock companies (corporations) in the global industry is incomparable.
3. Today, in our republic, one of the main obstacles to attracting large investments through equity financing is the high share of state ownership in joint-stock companies. Also, the main reason for the stagnation of shares is the irrational structure of the total share capital. Most of the shares belong to state and economic management bodies. Reducing the share of state ownership can also have a positive impact on the development of the secondary market.

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