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THE SYSTEM OF FINANCIAL MECHANISMS IN REGULATING CORPORATE CONFLICTS

Kholikova Sabokhat Abdukarim qizi
Senior lecturer of the Department of "General Economic Sciences" of TDIU
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Abstract. Corporate conflicts represent one of the most persistent structural challenges in modern market economies, which emerge because shareholders and managers and creditors have different interests. The analysis confirms that no single mechanism is universally effective; rather, their systemic integration within a coherent corporate governance architecture yields the most stable outcomes.
Keywords: corporate conflict, financial mechanisms, agency costs, corporate governance, dividend policy, debt covenants, ownership structure

Аннотация. Корпоративные конфликты представляют собой одну из наиболее устойчивых структурных проблем современных рыночных экономик, возникающих вследствие расхождения интересов акционеров, менеджеров и кредиторов. Проведённый анализ подтверждает, что ни один механизм не является универсально эффективным; напротив, их системная интеграция в рамках целостной архитектуры корпоративного управления обеспечивает наиболее устойчивые результаты.
Ключевые слова: корпоративный конфликт, финансовые механизмы, агентские издержки, корпоративное управление, дивидендная политика, долговые ковенанты, структура собственности.

Annotatsiya. Korporativ konfliktlar zamonaviy bozor iqtisodiyotlarining eng barqaror tarkibiy muammolaridan birini ifodalaydi va aksiyadorlar, menejerlar hamda kreditorlarning qarama-qarshi manfaatlaridan kelib chiqadi. O'tkazilgan tahlil shuni tasdiqlaydiki, birorta ham mexanizm universal samarali emas; aksincha, ularning yaxlit korporativ boshqaruv arxitekturasi doirasidagi tizimli integratsiyasi eng barqaror natijalarni ta'minlaydi.
Kalit so'zlar: korporativ konflikt, moliyaviy mexanizmlar, agentlik xarajatlari, korporativ boshqaruv, dividend siyosati, qarz kovenant lari, mulkchilik tuzilmasi.

Introduction. The design of modern corporations creates a situation where corporate conflicts become an essential aspect of corporate operations. Berle and Means proved through their initial research that ownership separation from control creates a fundamental problem which contracts between parties cannot solve [1]. The resulting conflict from this particular tension produces three distinct types of disputes which create an adverse effect on corporate operations and the operating efficiency of capital markets. In Uzbekistan institutional transition periods the conflicts assume special importance because the necessary components to regulate these issues remain at an early development stage [2]. The agency theory developed by Jensen and Meckling explains how organizations can create financial systems that effectively enable organizations to achieve their goals through strategic incentive development which prevents future disputes from arising [3].

Methodology and literature review. Researchers use comparative theoretical analysis together with systematic literature review to conduct their research. The study uses Jensen and Meckling's agency cost model [3] as its primary theoretical framework which asserts that principal-agent conflicts lead to efficiency losses that financial contract design can effectively minimize. La Porta, Lopez-de-Silanes, Shleifer, and Vishny extended this framework through

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their cross-country empirical research which showed that a jurisdiction's corporate law origin determines how well its financial systems protect minority shareholders while decreasing expropriation risk [4]. Russian scholarship, represented most comprehensively by Shitkin's treatment of corporate law and by Kashanina's systematic analysis of corporate governance institutions, emphasizes the distinctive features of post-Soviet corporate conflict, including the prevalence of concentrated ownership, opaque related-party transactions, and underdeveloped minority shareholder protection [5, 6].

The academic work of Uzbek scholars demonstrates two institutional flaws which restrict corporate operations in Uzbekistan because they claim that financial regulations need to take precedence over administrative rules [7, 8]. Bebchuk's normative scholarship on shareholder empowerment further enriches the analysis by demonstrating that the distribution of financial decision-making authority within the firm is itself a conflict-regulating mechanism [9].Meteleva's examination of shareholder legal standing in joint-stock companies provides the bridge between financial and legal dimensions of the problem, illustrating how the two regulatory logics must be coordinated to achieve durable outcomes [10].

Results and discussion. The synthesis of the reviewed literature yields a coherent picture of the financial mechanisms available for corporate conflict regulation, which may be organized into four principal categories: capital structure instruments, distribution policy instruments, compensation architecture, and ownership concentration mechanisms. Capital structure — specifically, the deliberate use of debt — functions as a conflict-regulating instrument by imposing external discipline on managerial discretion. As Jensen demonstrated, the obligation to service debt reduces the free cash flow available to managers for value-destroying discretionary expenditure, thereby aligning managerial incentives more closely with shareholder interests [3].

Debt covenants extend this logic by introducing contractually specified operational constraints whose violation triggers creditor intervention, creating a continuous monitoring mechanism that substitutes partially for costly shareholder oversight. Dividend policy constitutes the second major category. Mandatory or committed dividend distributions serve a disciplinary function analogous to debt service: by reducing retained earnings, they constrain the pool of resources available for managerial opportunism and signal to external investors a commitment to distribution rather than entrenchment.

The alignment of managerial remuneration with long-term shareholder value — through equity-linked pay, deferred compensation, and performance-contingent bonuses — directly addresses the agency problem by making managers residual claimants alongside shareholders. The fourth category, ownership concentration, operates through a fundamentally different logic. Concentrated ownership reduces the collective action problem inherent in dispersed shareholding by creating a large shareholder with both the incentive and the capacity to monitor management actively. Russian scholarship identifies this mechanism as particularly prevalent in post-Soviet corporate structures, where state-linked or family-controlled blockholders frequently substitute for the institutional investor monitoring characteristic of Anglo-American markets.

The critical analytical point emerging from this review is that each mechanism carries not only conflict-reducing potential but also its own pathology. Debt disciplines managers but can transfer conflict from the shareholder-manager axis to the creditor-shareholder axis. Concentrated ownership reduces managerial agency costs but creates majority-minority shareholder conflict — a dynamic extensively documented in Uzbek corporate practice [7]. Executive compensation aligns incentives but can be captured by the very managers it is designed to discipline. The practical implication for transitional economies is that the effectiveness of any financial mechanism is mediated by the quality of the legal and institutional environment in which it operates.

Conclusion. The regulation of corporate conflicts through financial mechanisms constitutes a sophisticated and indispensable dimension of corporate governance theory and practice. The present analysis demonstrates that no individual financial instrument — whether debt, dividends, compensation design, or ownership concentration — is sufficient in isolation to achieve stable conflict regulation. Their effectiveness is systemic: it depends on the internal coherence of the mechanisms deployed in combination and on the quality of the external legal and institutional environment that lends them enforceability. For Uzbekistan and analogous transitional economies, the policy implication is clear: the development of an effective corporate conflict regulation framework requires simultaneous progress on multiple fronts, including the reform of dividend regulation, the deepening of debt markets, the professionalisation of executive compensation governance, and the strengthening of minority shareholder legal protection.

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