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Article

Financial Management System of Join-Stock Capital

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Abstract: The current stage of the development of corporatization consists in a powerful concentration of capital through mergers and acquisitions of joint-stock companies, the creation of strategic alliances; globalization through the organization of subsidiaries in the most attractive foreign markets, the distribution of goods and services outside their country. The current stage is characterized by the growth of multinational companies (TNCs), attracting the cheapest investments, regardless of their country of origin, ensuring the integration of industrial and financial capital, as well as pursuing a policy of diversifying organizational forms and areas of activity.

Keywords: Equity Management Model (EMM), Investment, Financial Capital, Rate, Shareholder, Join-Stock Company, Funds

1. Introduction

Equity management in the company is an extremely important component of corporate governance, as it affects the interests of all shareholders without exception. The toolkit is quite narrow; it includes only those things that affect the amount of equity (issuance of new shares, repurchase of shares with subsequent repayment, payment of dividends, and keeping profits at the disposal of the company). In the long term, the stock price dynamics follows the economic performance of the company, not only the efforts of investors. Society itself can also influence the relationship between these indicators. It is the Equity Management Model (EMM) in a joint-stock company that is the catalyst for this process and the subject of constant monitoring by the Board of Directors.

Fundamentals of equity management in a joint-stock company

To describe the essence of the EMM, we introduce the following concepts:

Pf – the actual price of 1 share of the company, the price on the stock exchange.

BVf is the book price of 1 share of the company. It should be noted that the book price should really reflect the value of the company's net assets per share. To do this, it is necessary to carry out a regular reassessment of assets so that shareholders have a clear idea of what the company has earned and what it actually possesses. The adequacy of the book price should be put at the forefront – it should not be overestimated or underestimated!

EPSf is the company's profit per 1 share.

PF/BVf is the ratio of the company's market value and book value (equity).

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ROEf = EPSf/BVf - relatively stable return on equity of the company. It is important to note that this is the average stable profitability that the business is most likely to have in the coming years. Through its activities, a business creates value for shareholders, and ROE is the rate of growth of their property (equity), and the higher and more stable the rate of this growth, the more valuable and expensive the value of the business. In fact, the value of a business is the level of deviation of a stable ROE from the return required by investors, and that is why the market price of a stock on the stock exchange deviates from the balance sheet, and the Pf/BVf ratio becomes higher.

Literature Review

Financial management in joint-stock companies (JSCs) revolves around the strategic control of capital to ensure long-term profitability, shareholder value, and sustainable growth. Globally, authors such as Anthony and Govindarajan [1] and Graham [2] have emphasized the importance of aligning financial control systems with corporate strategy. Anthony & Govindarajan's Management Control Systems presents a framework for performance-based budgeting, responsibility accounting, and return on investment (ROI) analysis, all essential in joint-stock governance. Graham's seminal work Security Analysis further stresses that joint-stock companies, by nature, demand robust capital efficiency and investment evaluation methods due to their reliance on market-based equity financing.

The international literature also underscores the transformation of financial systems under globalization. For example, Jones and Smith [3] explore how global expansion impacts financial strategies in multinational joint-stock companies. These transformations often require advanced cost control mechanisms [4] and a refined understanding of internal and external financial environments [5]. Bhimani and Langfield-Smith [6], in particular, provide insight into how management accounting supports organizational change—something highly relevant for countries like Uzbekistan, transitioning toward open-market economies.

Within Uzbekistan, financial efficiency and capital management in joint-stock companies have garnered increasing academic attention. Usmonov [7], [8], [9] has authored multiple studies evaluating both theoretical and practical aspects of capital efficiency in Uzbek JSCs. In his 2023 paper, Usmonov [6] outlines how the capital asset evaluation system in Uzbekistan often lacks standardization, which impairs efficient investment decision-making and capital utilization. This issue is also mirrored in his 2021 work [4], where he identifies poor governance structures, outdated financial tools, and limited investor transparency as challenges that hinder capital management effectiveness.

The same line of research continues in Usmonov et al. [9], where the evaluation of capital efficiency is contextualized within ESG principles—an emerging but critical framework for Uzbekistan's economic sectors adapting to global sustainability trends. This research is particularly relevant as it bridges traditional financial performance analysis with modern standards of corporate responsibility.

An effective financial management system in JSCs relies heavily on well-integrated internal control and management accounting frameworks. Kotilov [9] and Karimov [10] have provided foundational texts in this area, emphasizing cost control and internal financial supervision as critical to performance. Daskovsky and Kiselev [6] further contribute to this by proposing innovative investment justification methods, which serve as decision-making tools for joint-stock leadership.

Management accounting not only ensures financial accountability but also supports strategic decision-making. Davletova [11] focuses on how manufacturing enterprises in Uzbekistan are utilizing internal control tools to improve cost efficiency, while Kamalov [12] discusses the broader implications of modernizing management accounting systems to align with international standards. These systems are particularly critical in joint-stock firms where shareholder expectations for transparency and return are high.

Similarly, international scholars like Tannenbaum [13] highlight the technological evolution of management accounting, suggesting that digital integration improves financial tracking, risk forecasting, and strategic capital allocation. These findings are increasingly relevant as Uzbekistan integrates digital tools into public and corporate finance systems.

Beyond internal mechanisms, external financial structures such as leasing and rental systems also play a role in capital financing for joint-stock companies. Khalikulova [10] has analyzed the effectiveness of leasing and rental operations across Uzbekistan's regions, showing that such mechanisms are instrumental for capital-intensive industries that require asset flexibility without large initial outlays.

Similarly, Normurodov [2] and Ruzmetov [9] discuss rental systems as part of the broader financial ecosystem supporting private sector growth. Their works suggest that efficient rental policies can complement capital strategies in joint-stock firms, particularly in industrial sectors where equipment and infrastructure needs are significant.

Investment management is central to the success of any JSC. Literature by Epifanov [7] and Jagerson [9] provides insight into investment practices, focusing on strategic allocation, gold investments, and the role of city-level planning in capital attraction. The integration of innovation into capital strategies has also been explored in textbooks edited by Goncharenko [11] and Polyakov et al. [12], who emphasize the necessity of aligning innovation policy with financial management in post-Soviet economies like Uzbekistan.

Moreover, innovation management, when combined with strong capital control systems, leads to more resilient and adaptive organizations. Korotkov [15], in his book on crisis management, highlights how financial resilience, driven by strategic financial planning, is essential for JSCs operating in uncertain environments—a frequent reality for firms in transitioning economies.

Another key issue in Uzbekistan's financial management environment is the prevalence of the shadow economy. Abdullaev [7] explores its scope and impact, revealing how unregistered financial activity can distort capital reporting and hinder shareholder confidence. This is especially problematic for joint-stock companies, which rely on investor trust and legal compliance. Without formalized and transparent reporting systems, capital efficiency is severely undermined.

The digitization of financial and logistics systems has gained momentum in Uzbekistan. Khalikulova [10] emphasizes the development of transport and logistics services as part of the broader digital economy, which supports joint-stock firms through efficient resource management and financial tracking systems. As regions in Uzbekistan develop at different rates, these digital advancements can reduce disparities and standardize financial operations across JSCs [16].

The literature reflects a multi-layered understanding of the financial management system in joint-stock companies, blending global theories with context-specific insights from Uzbekistan. International sources provide a foundation for management accounting, investment control, and organizational change, while local research brings critical attention to Uzbekistan’s specific challenges—such as underdeveloped financial infrastructure, low transparency, and regional inequality. Together, they underline the necessity for Uzbekistan’s JSCs to adopt integrated, transparent, and technology-driven financial management systems to remain competitive in both local and international markets.

2. Materials and Methods

Indeed, the higher the rate at which shareholders' funds operate within the company exceeds the general level of market rates available to investors, the more unique and valuable such a business is for investors, the greater the premium to the book price they are willing to pay. Hence, the most important criterion for equity management is

maximizing the ROE of a business! In other words, the EMM should be based on an algorithm of actions in which the return on equity increases or remains at a high level. When understanding this thesis, there is also an understanding that the profitability of a business, that is, its ROE, cannot be lower than the level of market rates (for example, deposit rates), which investors can receive "without hassle." The goal of any business is to excel over this "hassle-free" profitability, otherwise the company's activities should be viewed from the point of view of charity or some other social activities not related to making a profit [17].

Rt is the theoretical rate of required profitability, that is, the rate that suits the investor (shareholder) as a return on this type of business in the form of a return on exchange rate growth and dividends received.

Thus, provided that the profitability of the business is relatively constant and is known to the company's Board of Directors, we can calculate the fair value of the company's shares (Rt) using the formula:

Pt = BVf * ROEf/Rt or Pt/BVf = ROEf/Rt,

that is, the market price of a stock should differ from the book value by the same number of times as the business profitability (ROE) differs from the required profitability (Rt). It is also worth noting the fact that in this way the success of a business (the size of equity BVf and the rate of its growth ROEf) should be converted into the exchange value (RF) of this business in the secondary market.

An important consequence is the fact that if the Board of Directors of the company manages the share capital competently, the market price should not be lower than the book price. Let's consider two cases for such a situation:

The return on equity ROE is lower than the required return Rt.

If the return on equity ROE is lower than the required return Rt, then this means that the company, of course, may cost less than the book price BV, but this is partly contrary to common sense, since then the rational action on the part of the company should be to use the company's own funds to purchase its own shares cheaper than the balance sheet [18]. At the same time, both available funds and funds that can be obtained from the sale of financial assets or other property of the company at the book price can be used for repurchase. In this case, there will be an increase in the share price on the market with a simultaneous increase in the book value of the shares remaining in circulation. Shareholders should also pay attention to the very meaning of the existence of such a business that operates with a return (ROE) below the required one, for example, below the yield of a simple deposit, whether it is worth liquidating it and getting the book price for the share – the amount that the company currently has [19]. It should be noted that we are talking about stable and well-established businesses here. It would be incorrect to evaluate companies that are newly formed and have not reached the stage of stable operations in this way.

The return on equity ROE is equal to or higher than the required return Rt.

If the PF is <BVf, then this is usually an egregious case, and the situation itself is an indicator of the illiteracy of the Board of Directors and the lack of an EMM in the company, which generally characterizes the low level of corporate governance of the company [20]. Since in this provision, the company's shareholders (and the Board of Directors are their representatives and must act in their interests) benefit from buying shares from the market with the company's funds, because a monetary unit in equity operating at a rate equal to or higher than the required market rate (ROEf >Rt) can be purchased cheaper than the book value. Indeed, if the company's own funds can be used with a return of ROE >Rt, then repurchasing its own shares at a price lower than the book value allows you to increase the return on using your own funds by a coefficient of BVf/Rf > 1, and this means that the profitability of funds spent on repurchase will be higher than the existing ROE of the

company. Thus, the buyback should lead, at least, to the alignment of the Pf and BVf, and may be carried out until the market price of the share exceeds the book value by ROE/Rt times.

3. Results and Discussion

The different ratio of the company's actual price to the fair market price, calculated on the basis of the book price of the share (BVf), return on business (ROE) and required return (Rt), determines the different behavior of the company in managing equity. To this end, the company may use the tools provided for by law, influencing the amount of share capital, as well as additional actions that affect the ratio of own and borrowed funds.

Table 1. The Tools Used by The Joint-Stock Company in The Framework of The EMM.

The Degree of Importance of Actions	Types of Actions
Main	Increase in share capital: placement of additional shares; non-payment of net (retained) profits in the form of dividends. Reduction of equity: purchase of shares of the company from the market with their subsequent repayment; payment of dividends.
Additional	Increase in borrowed capital Reduction of borrowed capital

In addition to the indicators, the essence of which was disclosed in the previous paragraph, we introduce the following:

Rd is the company's lending rate, that is, the rate at which the company can take out a loan. It should be noted that the company needs to control the ratio of its own and borrowed funds, in particular, when lending to buy back its own shares (this will be discussed below), it is necessary to take into account the size of the ratio that will arise as a result of the repurchase (own funds will decrease as a result of the repurchase and repayment of shares, while borrowed funds will increase). ROEfd is the profitability of that part of the company's equity that can additionally be allocated to its core business (for example, to expand production). As a special case: if a company has made a profit, this is the return on full or partial reinvestment of profits in its core business. In terms of meaning, ROEfd is very similar to the return on invested capital (ROIC). It is important to note that this is the return on additional investments, since the total ROE can be extremely high, and a low return, for example, on reinvestment of the current net profit of the ROE, may not be noticeable in the final ROE of the company, so it must be evaluated separately. Another very important business axiom is ROE ≥ Rt > Rd. This means the following: the required rate of return Rt should be higher than the lending rate of the same business Rd: investors are unlikely to expect a return on investment in the company's shares equal to the yield of its bonds; It is absolutely clear that an additional bonus will be required. The return on equity ROE should not be lower than the required return on Rt, since then there is no expediency in such a business, and in the case of borrowed funds, it is even possible that the proceeds from the use of own funds go to repay interest on borrowed funds.

The above logically implies the necessary actions of the company at different ratios of actual and fair prices:

Table 2. The Company Performs Roef > Rt > Rd, While Pf < Bvf. Company's Actions.

Summary Company Performs	
Share buyback	Yes
Payment of dividends	No
Placement of additional shares	No
Non-payment of net (retained) profits in the form of dividends	Yes

The source of funds for share repurchase can be both borrowed and own funds.

It is most beneficial for the company's shareholders to carry out a buyback using borrowed funds, that is, the company must be credited and buy back its own shares until one of the conditions is violated:

The company's debt is related to equity (while equity is already considered taking into account the repayment of shares as a result of the buyback) at an acceptable level for the company (according to the general Rule 1:1). The company subsequently has the cash flow necessary to service the debt.

The rate offered by the creditors does not exceed the required yield, i.e. Rd < Rt.

Repurchase from own funds can only be carried out if the rate (ROEF) of using that part of own funds that can be used for repurchase is not higher than the value of the rate R= ROEf*BVf/Pf, where RF is essentially the purchase price.

If, as a result of these actions, the ratio of the market price of the Russian Federation to the balance BVf has leveled off or the ROEf/Rt ratio has become greater, then the following option is devoted to further actions. If not, it is necessary to repeat the repurchase procedures, if possible, until the specified ratio is reached.

Payment of dividends in this case is undesirable, although it is possible. Despite the fact that the reinvestment of dividends by shareholders in the company's shares may cause the shares to increase in value, actual purchases may not occur for various reasons, so it is more appropriate for the company itself in this situation to demand its own shares, that is, the amount that can be used for dividends is better spent on repurchase.

The company performs ROEf > Rt > Rd, while Pf/BVf > ROEf/Rt. Company's actions:

It should be noted that in such a situation, there is no great need for active actions on the part of the company in relation to its shares. Stock quotes, at a minimum, reflect the achievements of the core business and the current economy (net profit and equity) of the company's business. The return on equity (BVf) is higher than the required one (Rt) and the shares are more expensive than the book price is completely justified, but the excess is greater than it should be, based on the current ROE profitability. Perhaps the company will be able to increase its return on equity (ROE). If this is not expected, it means that the company's shares are somewhat overvalued by investors who may be behaving irrationally.

Payment or non-payment of net (undistributed) profit in the form of dividends. If, in the main activity of the company, the profitability of using funds that can be used for dividends is lower than the required profitability ROEfd < Rt, and the debt burden situation remains within the specified parameters, then the company can pay dividends. Otherwise, it is better to use these funds in your core business or use them to reduce debt.

Placement of additional shares. If, according to calculations, the company's shares are indeed trading at a premium on the market, then current shareholders can take advantage of this in order to make additional profits. Especially if the main activity of the company allows you to get a return on these funds ROEfd > Rt, as this will increase the book value of one share and increase the profit per share. It is worth noting that the issue

is considered here solely from an economic point of view, the issues of the size of the impact on the management of a joint-stock company (dilution of shares) are not taken into account.

The company does not receive the required rate of return (Rt) on equity (BVf), but trades with a Rf/BVf ratio > 1. We will describe the situations and their possible causes, as well as consider recommendations to the Boards of Directors of such companies.

Economically irrational behavior of investors: speculative attacks, games, politics, manipulation, etc. It makes no sense to look for an explanation for the reasons for this behavior, but the company can take advantage of this situation and issue additional shares at the market price. As a result, the book price of the stock will increase. In the limit, if a large number of shares are issued at this price in addition to the existing ones, the market price of the share will automatically align with the book price. The effectiveness of using the company's equity capital obtained in this way remains an open question, but the probability of a drop in the market price (falling below the balance sheet is already more difficult – this was mentioned above) will decrease significantly. This is the case when the situation can be characterized by the expression: "virtuality changes reality."

The company's business cannot receive the required rate of return (Rt) due to objective reasons – the lack of demand for the goods and services of this business by consumers, etc. Companies with a negative ROE value also fall into the same section, that is, those that are unprofitable and consume share capital. The company needs to determine its future: either take the necessary actions to achieve a level of profitability that meets the required profitability of Rt, or close or sell the business, returning the remaining funds to shareholders.

Thus, when developing proposals, a PMSD should, first of all, be able to unambiguously identify the company's position at each specific time in relation to the ratios of key indicators (the actual price of the company and the fair market price). Proper identification should result in specific recommendations on equity management aimed at creating additional shareholder value and improving the efficiency of the joint-stock company.

4. Conclusion

The financial management system of joint-stock capital in Uzbekistan is undergoing a crucial transformation as the country continues its shift toward a market-oriented economy. This paper's analysis of relevant literature reveals that, while Uzbekistan has made progress in establishing the institutional and legislative framework for joint-stock companies, significant challenges remain in implementing effective, transparent, and innovative financial management practices.

Local scholars such as Usmonov and Abdullaev have highlighted inefficiencies in capital allocation, weak corporate governance, and the shadow economy’s negative influence on transparency and investor trust. These issues are further compounded by underdeveloped internal control systems and inconsistent adoption of modern financial tools. On the other hand, researchers like Khalikulova and Normurodov have shown how leasing, rental, and regionally focused financial mechanisms could support capital growth, particularly in asset-intensive sectors.

When compared with global best practices from authors like Anthony, Bhimani, and Tannenbaum, it is evident that Uzbekistan's joint-stock companies must adopt more integrated and technology-driven financial management systems. Digitization, automation, and enhanced management accounting are key enablers for improving performance measurement, cost control, and investment analysis.

Furthermore, aligning financial systems with innovation strategies—as discussed by Goncharenko and Polyakov—can make joint-stock enterprises more adaptive and competitive, particularly in the face of globalization and economic uncertainty. A modern

financial management system must also be built on the foundation of strong internal controls, risk management, and ESG-aligned capital practices to attract sustainable investment.

In conclusion, improving the financial management of joint-stock capital in Uzbekistan requires a dual approach: reinforcing internal systems and aligning with global financial standards. This will ensure better capital efficiency, stronger investor confidence, and greater competitiveness of Uzbek joint-stock companies both regionally and internationally. Continued research and policy development should focus on institutional support, regulatory reform, and capacity-building to achieve this transformation.

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