
Functioning Of State Corporations In Modern Conditions

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Abstract: The article examines the influence and importance of state corporations in the strategic development of the country, and also analyzes the foreign practice of creating and functioning of state corporations. As part of the formation of a corporate model of the public sector of the modern economy, their leading role is substantiated, including in matters of determining strategic priorities for the socio-economic development of the state as a whole.

Keywords: state corporation, modernization, socio-economic strategic development, public sector of the economy, corporate model of the public sector of the economy, strategic development priorities, socio-economic development of the country, public policy.

Introduction. Currently, one of the priorities declared by the state is the transition of the domestic economy to an innovative development model in order to ensure its sustainable growth and reduce dependence on the export of products and technologies. The set task presupposes the need for a complete modernization of the economy (including its real sector), the development of new types of products based on innovative high-tech industries and their effective macroeconomic regulation. Within the framework of the mechanisms established in world practice for stimulating the innovative development of the economy, it is necessary to note the creation of state corporations as one of the forms of implementing large-scale national tasks of strategic importance for the country.

The development of state corporations aimed at fulfilling special government tasks and achieving commercial results, due to economies of scale, can give impetus to stimulate innovative modernization of the real sector of the economy. Innovative modernization of the economy presupposes the need for large capital investments, concentration of capital and production in knowledge-intensive and high-tech industries, which, in turn, presupposes increased state support in this area through the formation of state corporations. (*Формирование Стратегии Развития Государственных Корпораций в Российской Экономике*, n.d.)

Main part. Modern challenges of the world economy associated with the entry into a new stage of technological development, as well as high geopolitical risks, make adjustments to the regulation of the development of the real sector of the national economy, including in matters of the functioning of state corporations.

One striking example is the cooperation of centrally subordinate state corporations of the People's Republic of China to combat coronavirus infection. In total, they allocated about \$86.5 million to Hubei Province in the fight against the epidemic. Undoubtedly, state-owned

corporations exist in many countries and operate in various sectors of the economy. State corporations are most active in the following areas: transport, industry, banks and financial services, tourism, culture, agriculture, telecommunications. *(Роль Государственных Корпораций в Экономике России (На Примере Государственных Корпораций «Росатом» и «Ростех»)* - Эргашев - Вестник Российского Университета Дружбы Народов. Серия: Государственное и Муниципальное Управление, n.d.)

The first state corporation in the USA was created in 1933 on the initiative of the 32nd President F. Roosevelt. The purpose of creating a state corporation was to ensure the stability of the US economy and overcome the economic crisis. In America, a public corporation is a government agency (organization) that is created by the Congress of the United States of America to achieve a public benefit that involves generating a profit (in particular, the provision of publicly useful services to the market) corresponding to its expenses. US state corporations are created on the basis of state ownership or on a mixed form of ownership. *(Роль Государственных Корпораций в Экономике России (На Примере Государственных Корпораций «Росатом» и «Ростех»)* - Эргашев - Вестник Российского Университета Дружбы Народов. Серия: Государственное и Муниципальное Управление, n.d.)

In Canada, public corporations are called “Crown Corporations” and are created by the federal and provincial parliaments. The responsibilities of Canadian public corporations include the distribution and pricing of various goods and services, mining, and they also deal with the development of culture and public transport, and energy development. The state strictly controls the activities and expenses of state corporations.

They have their own peculiarity, and it lies in the fact that there is no unity regarding the commercial or non-commercial nature of the activities of state corporations. Today, a considerable number of commercial government corporations operate in Canada, such as: Canada Post, Canadian Passenger Railways and others.

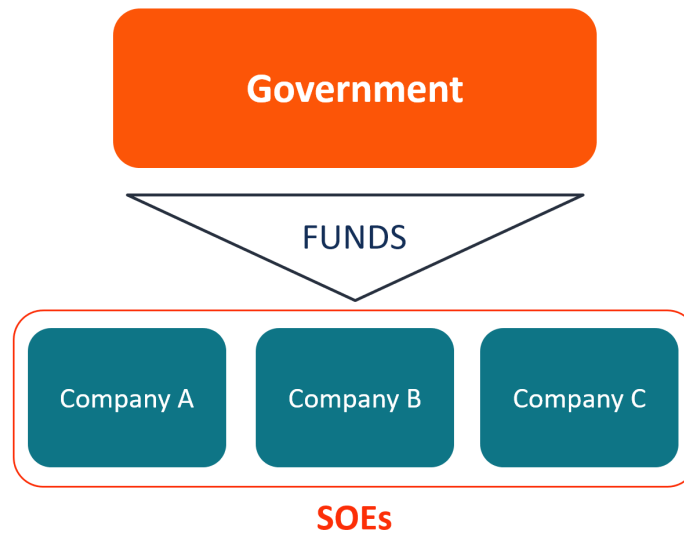
The peculiarities of the formation of state corporations in the UK include the fact that during the reign of the country's former Prime Minister Margaret Thatcher, in the 1980s the privatization of state corporations and companies in the activities of which the government had already interfered began in the UK. It is necessary to take into account the fact that privatization was carried out very carefully.

A separate law was developed for each auction and, most importantly, all transactions were considered by parliament. Haven't sold in a year there were more than 3-4 companies. The UK government tried to place shares of privatized companies among its own employees as much as possible (including using preferential prices). The state had the right to block changes to the charter of an enterprise when it wanted to maintain control over the company; this institution was called the “golden share” institution . In the UK, a state corporation is a corporation established by the country's parliament and receiving more than 50% of its income from the sale of goods and services.

A State Owned Enterprise (SOE) is a body formed by the government through legal means so that it can take part in activities of a commercial nature. Essentially, SOEs are created to undertake [commercial activities](#) on behalf of the government.

(Fig 1.)

Fig.1. A State Owned Enterprise



The government may assume full or partial ownership of a state owned enterprise, which is usually allowed to take part in specific activities.

State corporations are created to perform specific tasks, functions and achieve goals, one of which is the implementation of national economic and social tasks, federal programs and national projects, supporting the economy and expanding the production of technology, equipment and services.

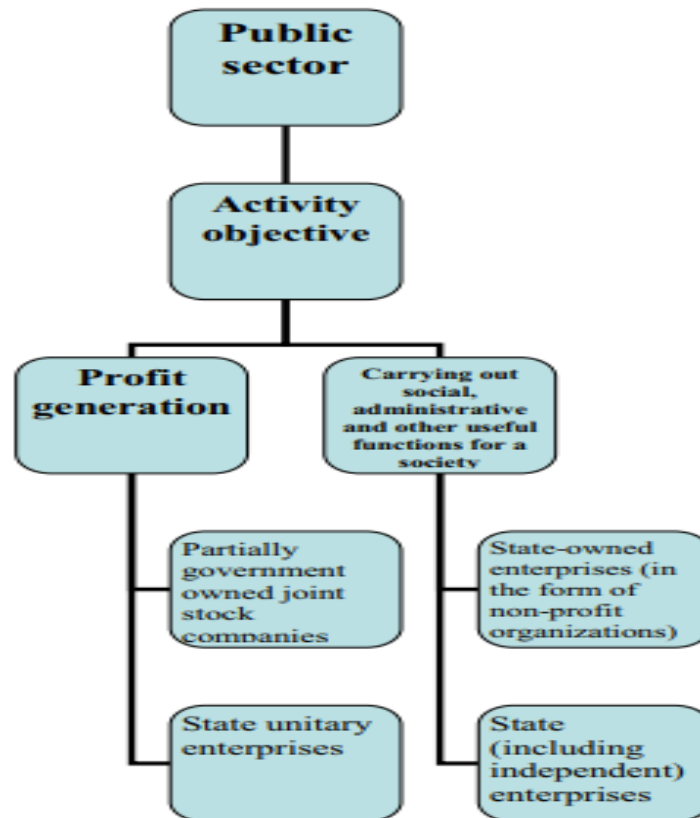
The main characteristics of state corporations and their role in the modern economy are given in table 1. («Роль государственных корпораций в реализации стратегических приоритетов экономического развития России» — читать в электронно-библиотечной система Znanium, n.d.)

Tab 1. Economic characteristics of public corporations

Definition	A state corporation is a complex, vertically integrated structure created on the basis of federal law to carry out managerial, economic, social or other functions.
Features	Corporate governance under state control; predominant state participation; ownership of large capital; presence of strong competitive advantages; social orientation; ability to work on a non-profit basis
Goals of activity	Achieving economic and social goals, expanding government intervention in the environment
Contents	Economic instrument for implementing macroeconomic policy
Essence	Tool for solving large-scale problems
Functions	Implementation of large-scale infrastructure projects, solving various kinds of global social and economic problems

We believe that the structure of the public sector can be presented depending on the purposes of organizations for which they have been set up (see the fig. 2). (Arkhipova et al., 2016)

Fig. 2. An organizational structure of the public sector in accord with the objectives of establishing various economic entities



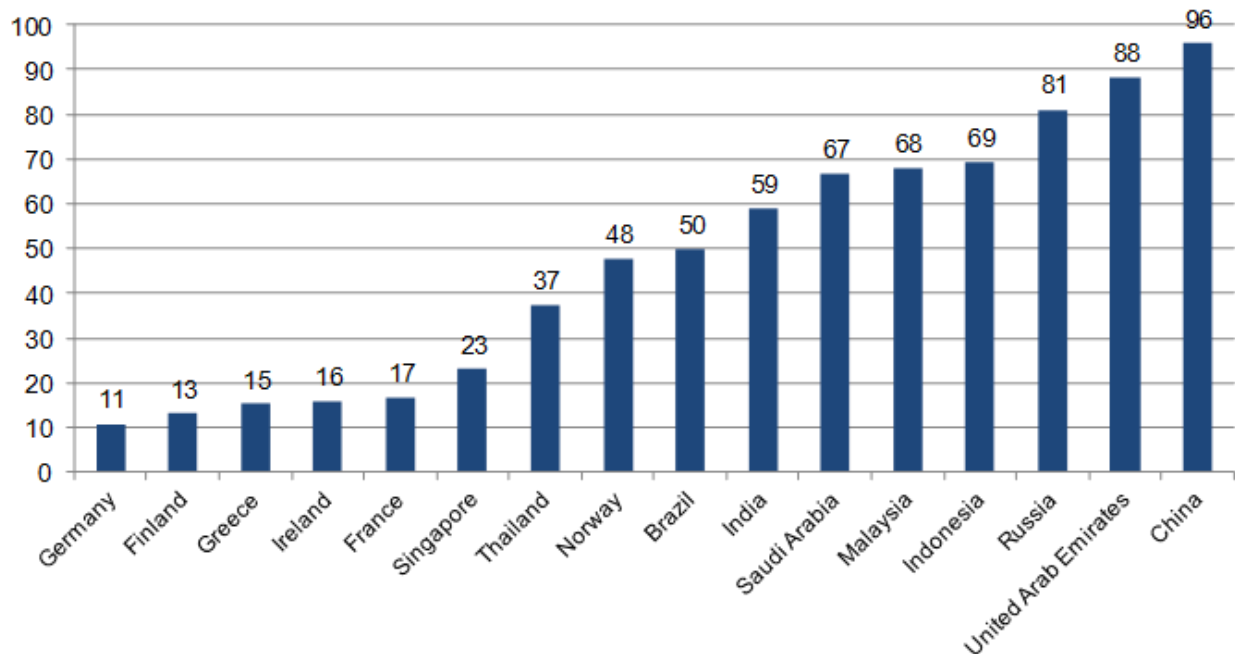
An organizational structure of the public sector in accord with the objectives of establishing various economic entities. The place of state-owned corporations in the structure of the public sector operation can be revealed through the analysis of functioning of state-owned corporations. Firstly, we shall define what does the concept of “state-owned corporation” stand for.

The word combination “state-owned corporation” has economic sense - it is a corporation owned by the state. In English, the term «State-owned corporation» is used and it means government owned joint stock company. References to a large number of foreign state-owned corporations in papers are right if we define a state-owned corporation as a “joint stock company”. (Arkhipova et al., 2016)

Thus, a foreign state-owned corporation is a legal entity that is created by the government in order to partake in commercial activities on the government's behalf. To estimate which countries have the highest state-owned enterprise presence among their top firms and to ensure comparability, we use the equally weighted average of shares of state-owned enterprises in sales, assets and market value of the country's top ten firms (Figure 3).

The top five countries are China (96%), the United Arab Emirates (88%), Russia (81%), Indonesia (69%), and Malaysia (68%). State ownership appears to dominate, but is not restricted to, the emerging economies. While the size of these shares decreases somewhat when we extend coverage to a country's 200 largest firms, their relative size remains unchanged. (*State-Owned Enterprises in the Global Economy*, 2013)

Figure 3. SOE shares among countries' top ten firms (%)



Conclusion. Summarizing the above, we can draw the following conclusions and generalizations. Firstly, state corporations enjoy special preferences and state support and must have an increased margin of financial strength.

In this regard, state corporations are provided with large start-up capital, are often exempt from paying taxes and dividends, have government guarantees of payments on their bonds, etc.

Secondly, state corporations that have the rights to perform public administration functions are able to lobby their interests in higher structures, which makes them proactive subjects of the economy and allows them to carry out their tasks quite effectively, avoiding bureaucratic red tape.

Thirdly, state corporations are established by the state at the expense of budget funds to solve important economic and social problems. The establishment of a state corporation occurs either in conditions of an economic recession, a shortage of public goods, or when it is necessary to solve large-scale government problems.

Thus, state corporations become the engines of growth in the real sector of the economy, as well as the main directions of socio-economic development.

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