International Journal of Scientific Trends- (IJST)
ISSN: 2980-4299
Volume 3, Issue 12, December - 2024
Website: https://scientifictrends.org/index.php/ijst
Open Access, Peer Reviewed, Scientific Journal

The Role of Competition in Increasing The Financial Authority of Joint Stock Companies

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Abstract

This article discusses what is a joint-stock company and the measures currently being taken to increase the financial potential of joint-stock companies and the role of competition in increasing the financial potential of these joint-stock companies.

Keywords: Joint-stock company, closed joint-stock company, open joint-stock company, market reforms, ownership, competition, financial potential, efficiency, innovation, risks, stability, oligopolistic structure.

Introduction

A joint-stock company differs from other joint-stock companies in that its financial foundation is based on issuing shares at nominal value and distributing them through sales. Shareholders receive income in the form of dividends. There are two forms of joint-stock companies: open and closed:

- Closed joint-stock company – shareholders are limited to a specific group, such as the founders themselves. The shares are distributed only among them.
- Open joint-stock company – shares of the company are freely sold and purchased, and the number of shareholders is unlimited. Any legal or physical person, including foreigners, who wishes to buy shares and has the necessary funds, can become a participant.

A joint-stock company is formed to pool funds into one business. Its founders are called initiators, and they can be companies, banks, the state, or individuals. The advantage of a joint-stock company is that it turns small amounts of money into a large capital mass, i.e., money that can become capital, and it puts the small owners' money to work. The highest governing body of a joint-stock company is the shareholders' meeting, followed by the board of directors, with lower levels consisting of department management. The shareholders' meeting reviews the company's annual report, amendments to the charter, distribution of income, accounting for profits and losses, audit results, and election of management, making relevant decisions.

Although joint-stock companies first appeared in the 17th century, they have now become widespread. In Uzbekistan, joint-stock companies emerged during the process of market reforms, particularly in the course of privatization and property transformation. Converting state enterprises into joint-stock companies is becoming one of the main directions of ownership transformation.

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In the first stage of reforms, closed joint-stock companies were formed, while in the second stage, open joint-stock companies began to appear.

Methods

A joint-stock company is a legal entity whose charter capital is divided into a certain number of shares. Shareholders have the right to participate in the management of the company and receive dividends. Joint-stock companies can take the following measures to improve their financial capabilities:

1. Attracting investments: Issuing new shares or bonds in financial markets to attract additional funds. This allows the organization to attract strong investors for its long-term development.
2. Improving management: Implementing more transparent and effective management systems, which increases the trust of shareholders and investors. Integrity and transparency in management ensure the organization's broader development and build trust within society.
3. Developing new products or services: Offering new products or services to diversify business, attract more customers, and increase profits. It's important to remember that people are always interested in innovations, and introducing new ideas can lead to further growth.
4. Enhancing financial reporting: Providing timely and accurate financial reports that assess the adequacy of funds and reflect the true financial state of the company. Timely and proper financial reporting can significantly expand the financial capabilities of a joint-stock company.
5. Optimizing costs: Analyzing and optimizing current expenditures to improve the efficiency of resource usage and reduce costs.
6. Increasing innovation: Investing in research and developing new technologies to enhance the company's competitiveness and create new revenue streams. In today’s era of information technology, utilizing new technologies in various fields contributes to the development of any system.
7. Expanding sales markets: Searching for new markets to sell products or services, both domestically and internationally, to increase sales and profits. In a market economy, a well-established organization with a stable financial position is always highly valued.

In general, joint-stock companies should continuously improve their operations and increase their financial potential to ensure the growth and development of society. At the same time, joint-stock companies must constantly seek innovations and serve the public by introducing new solutions that address societal needs.

The role of competition in increasing the financial potential of joint-stock companies is very important. Competition stimulates companies to improve effective management, innovation, and the quality of products or services. Below are the key factors on how competition affects the financial potential of joint-stock companies:

1. Increased competitive pressure: When joint-stock companies operate in a competitive environment, they are forced to adapt to the market, optimize costs, and implement new technologies. This ultimately increases efficiency and leads to financial stability.
2. Attracting investments: Joint-stock companies that perform well in a competitive environment become attractive to investors. High income and stable growth are perceived as guarantees by investors, increasing the company’s capital.

3. Innovation: Competition plays a significant role in increasing the financial potential of joint-stock companies by encouraging them to work efficiently, introduce innovations, and manage capital effectively. This process has a direct positive impact on financial potential. Below are the key factors of competition's role in improving the financial potential of joint-stock companies:

1. Increasing efficiency: In a competitive environment, joint-stock companies strive to use their resources more efficiently. To stay on par with or surpass competitors, they must optimize costs, simplify work processes, and improve efficiency. This, in turn, leads to an increase in the company's financial potential.
2. Innovative technologies: Competition pushes joint-stock companies to implement innovations and use technological advancements.
3. Utilizing modern technologies allows for more efficient management of production and service processes, ultimately having a positive effect on financial performance.
4. Maintaining market share: In a competitive environment, joint-stock companies strive to maintain or increase their market share by improving pricing policies, marketing strategies, and customer service quality. Increasing market share leads to higher revenues and ensures financial stability.
5. Opportunities for attracting investments: Joint-stock companies that have enhanced their potential in a competitive environment become more attractive to investors. Strong financial results build investor confidence, allowing the company to attract additional capital.
6. External markets and exports: Competitive joint-stock companies are likely to succeed not only in the domestic market but also in external markets. Engaging in external markets and exports is a crucial source for increasing financial potential, as it generates new income streams and stabilizes the company.
7. Organizational changes and management: In a competitive environment, joint-stock companies focus on updating their management systems and improving organizational effectiveness. To gain a competitive advantage, the management system must be well-developed. This process leads to improved management quality and strengthens financial stability.

In general, competition increases the financial potential of joint-stock companies by enhancing their efficiency and stability. Joint-stock companies that adapt to market conditions, prioritize innovation, and practice effective management will excel in competition and remain financially strong.

Results:

Competition plays a significant role in increasing the financial potential of joint-stock companies. Some ways competition contributes to this include:

1. **Reduction in capital cost**: Competition between joint-stock companies can lead to a decrease in the cost of capital, as companies are forced to offer more favorable investment conditions to attract investors. This may include a decrease in stock prices, an increase in dividend payments, or other financial incentives.

2. **Improved management and efficiency**: Competition for investments can encourage public companies to improve management and increase operational efficiency. Companies aim to attract more investors by enhancing risk management, streamlining business processes, and boosting profitability.

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3. Innovation and development: Competition drives joint-stock companies to innovate and develop new products and services. Companies strive to offer unique and competitive proposals to attract investors, which can increase financial potential and draw new investments.

4. Increased transparency and reporting: Competition for investments encourages public companies to improve transparency and reporting. Companies strive to provide investors with accurate and timely information to demonstrate their reliability and integrity in financial management. This builds trust with investors and enhances the company's financial potential.

Table 1 Proposal of possible measures to stabilize the financial potential of joint-stock companies

Event name	Content	Waiting result	Responsible organizations
Financial management modernization to do	Modern technologies and systems current to grow through financial resources management	Efficiency and usefulness increases	Shareholders council , finance department
Investments attraction to grow	International and local to investors comfortable conditions create	Investment currents increases , infrastructure develops	Investments committee
Financial indicators analysis to do	Financial activity according to regular Conduct regular audits and monitoring	Financial mistakes reduction strategies change	Internal audit services
Innovations develop	Innovative technologies and products working to go out investment input	New markets to acquire , to earn increase	Development department
Staff qualification increase	Financial management in the field experts for training and seminars organization to grow	Qualified personnel number increases , efficiency increases	HR department , training centers
Market analysis deepening	Market demand and competitors activity deep analysis to do	Market share increase , effective strategies working exit	Marketing and analysis department
Financial risks management	Risks minimize for insurance and other financial tools application	Finance stability provided	Risk management department

Source: Developed by the author based on the received information

This table presents proposals for possible measures to stabilize the financial stability of joint-stock companies. Each measure is aimed at improving financial performance, ensuring the long-term sustainability of the organization and increasing market competitiveness. The table indicates the content of each measure, the expected result and the responsible organizations.

In general, competition affects joint-stock companies, pushing them to improve, innovate, and enhance their financial performance, which in turn helps increase their financial potential. The role of competition in any sector is invaluable—where there is no competition, monopolies may develop, leading to a decrease in production scale, quality may be compromised or even lost, and no efforts will be made toward the development of the organization.

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Discussion: The role of competition in increasing the financial potential of joint-stock companies has been the subject of active debate among economists and researchers. Some of the factors that contribute to these debates include:

1. Regulation: Some economists argue that competition should be regulated to create equal conditions for all market participants. They believe that if left unregulated, monopolistic or oligopolistic structures may emerge, which would limit competition and slow the growth of the financial potential of joint-stock companies.

2. Innovation: Other economists believe that competition serves as a strong incentive for innovation, which can enhance the financial capabilities of joint-stock companies. They argue that in a competitive environment, companies are more motivated to develop and introduce new products and services, which ultimately leads to increased revenue and profits.

3. Efficiency: Competition helps improve efficiency in joint-stock companies. Competitive markets can force companies to be more effective in managing their resources, reducing costs, and increasing efficiency. This can lead to an increase in the financial potential of joint-stock companies.

4. Risks: Some economists warn about the possible negative consequences of competition for joint-stock companies associated with increased risks. To protect their corporate interests, companies may become willing to take on higher risks, which could lead to financial losses and a decrease in the stability of these companies.

5. Long-term sustainability: Discussions also focus on the extent to which competition contributes to the long-term sustainability of joint-stock companies. Some economists argue that excessive competition may undermine long-term investments and innovations, as companies prioritize short-term profits and shareholder satisfaction over long-term stability.

Conclusion

In conclusion, it can be emphasized that financial potential and literacy are crucial concepts within the economic system. Not only for joint-stock companies, but also for the entire market economy, financial potential is a key driver of business success.

In general, discussions surrounding the role of competition in enhancing the financial potential of joint-stock companies do not lead to a clear answer and require further study and analysis. The results depend on the context and specific characteristics of each case.

It is also highlighted by researchers that increasing the financial potential of joint-stock companies is a critical factor for the development and growth of these organizations.

Based on all the information provided above, it can be concluded that competition is one of the most significant factors at every critical stage in various fields. For instance, when a company has a competitor, both organizations are tested for competitiveness, and ultimately, the judgment comes from ordinary people or society. Founders face competition with other companies while striving to improve the financial potential of their joint-stock companies. Where there is no competition, there is no growth, and there never will be.

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