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Theoretical Approaches To Assessing The Impact Of Corporate Governance On The Economic Efficiency Of Construction Enterprises

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Abstract: The article provides a systematic analysis of the theoretical approaches to assessing the impact of corporate governance on the economic efficiency of construction enterprises. The research is carried out within the framework of the agency, stewardship, stakeholder, transaction cost, institutional and resource-based theories; the channels through which corporate governance mechanisms affect efficiency are distinguished, and the moderating characteristics of the construction industry that transform this relationship are substantiated. The author proposes a corporate governance quality index (CGQI) and a regression specification measuring its effect on economic efficiency. The results of the research make it possible to improve the methodology for assessing the quality of corporate governance at construction enterprises and to provide a scientific basis for managerial decisions.

Keywords: corporate governance, construction enterprises, economic efficiency, agency theory, supervisory board, transparency, stakeholders, corporate governance quality index, return on assets, institutional environment.

1. Introduction

In the modern economy the performance of an enterprise is determined not only by its resource endowment and technological level, but also by the quality of its governance relations. As an institutional system regulating the relations between owners, managers, supervisory bodies and other stakeholders, corporate governance directly affects economic efficiency through the allocation of resources, the quality of managerial decisions and the cost of capital. For this reason, measuring the influence of the quality of corporate governance on the economic results of an enterprise by scientifically grounded methods has become one of the topical directions of economic science.

The study of this problem using the example of the construction industry is of particular importance. In Uzbekistan construction is one of the most rapidly growing segments of the economy: the volume of construction works performed increased from 34.7 trillion soums in 2017 to 313.9 trillion soums in 2025. Of the 591.1 trillion soums of investment absorbed in fixed capital in 2025, 282.5 trillion soums, or 47.8 per cent, were directed to construction and installation works [1]. Consequently, almost half of national investment takes material form through the management systems of construction enterprises, which shows that the quality of governance in this industry has macroeconomic consequences.

The legal and institutional foundations of corporate governance are being consistently formed in the country. The Law "On Joint-Stock Companies and Protection of Shareholders' Rights", the Corporate Governance Code, the criteria for evaluating the

activities of joint-stock companies and the strategy for managing and reforming state-owned enterprises constitute the main elements of this system [2; 3]. The disclosure requirements implemented through the Unified Portal of Corporate Information have in turn broadened the possibilities for the external assessment of governance quality. Nevertheless, the relationship between corporate governance and economic efficiency is theoretically ambiguous. The empirical results obtained in the world literature are contradictory: some studies record a positive effect of governance mechanisms, while others find a statistically insignificant or even negative relationship. One of the reasons for this is that industry characteristics are insufficiently taken into account in assessment models. Construction, however, is distinguished by its project-based organisational structure, the length of the production cycle, the complexity of subcontracting chains, the large number of related-party transactions and the specific nature of tender procedures. These features change the conditions under which corporate governance mechanisms operate.

The organisational structure of the industry further complicates the problem: in 2025, 47.8 per cent of the construction works performed fell to small enterprises and microfirms and 25.8 per cent to the informal sector [1]. Since classical corporate governance mechanisms are designed mainly for large enterprises in the joint-stock form, they cannot be applied uniformly to all segments of the industry. At the same time, the number of construction enterprises with foreign capital participation reached 1,412 as of 1 January 2026, an increase of 327 over the year [1], which indicates the growing demand for international governance standards.

The purpose of the article is to systematise the theoretical approaches to assessing the impact of corporate governance on the economic efficiency of construction enterprises and to develop an author's assessment approach that takes the characteristics of the industry into account. To achieve this purpose the following tasks were set: to carry out a comparative analysis of the theories explaining the relationship between corporate governance and economic efficiency; to distinguish the channels through which governance mechanisms exert their influence; to substantiate the moderating characteristics of the construction industry; and to propose a corporate governance quality index together with an econometric specification linking it to economic results.

The theoretical foundations of the problem were laid by A. Berle and G. Means, who showed that although owners constitute the majority in large corporations, real control is concentrated in the hands of managers, which undermines the alignment of interests [4]. M. Jensen and W. Meckling formalised this idea within agency theory, showing that the principal-agent relationship generates monitoring costs, bonding costs and residual loss [5], while E. Fama and M. Jensen showed that separating decision management from decision control is the principal mechanism for reducing these costs [6]. Subsequent research advanced alternative interpretations: stewardship theory, proposed by L. Donaldson and J. Davis, holds that managers often treat the corporation's interests as their own, so efficiency is raised by extending authority rather than by strict control [7]; R. Freeman showed within stakeholder theory that long-term performance depends on a balance of the interests of all stakeholders rather than shareholders alone [8]; and O. Williamson, within transaction cost theory, interpreted the governance structure as a function of the complexity of contractual relations [9].

Empirical studies have measured the relationship between governance quality and financial results. A. Shleifer and R. Vishny defined corporate governance as the mechanisms ensuring investors a return on their funds, identifying legal protection and ownership concentration as the principal instruments [10]; R. La Porta et al. showed that investor protection determines governance quality and capital-market development across countries [11]; and P. Gompers, J. Ishii and A. Metrick measured governance quality as an index and found that companies with a high index earned appreciably higher returns [12], although many studies note that this relationship is not statistically robust, pointing to the need to introduce industry context into the models. Studies on construction specifically remain few: E.J. Kaka, using Nigerian construction companies, found that board composition and the presence of an audit committee improve financial-reporting quality while a larger board has the opposite effect, indicating that governance

quality rather than quantity is decisive in this industry [13]; internationally, the 2023 revision of the G20/OECD Principles of Corporate Governance strengthened disclosure, board responsibility and sustainability requirements, defining modern criteria for assessing a governance system [14].

Scholars from the CIS countries have focused on corporate governance under transition-economy conditions: A. Radygin and R. Entov showed that weak protection of property rights and an immature market for corporate control weaken the effect of governance mechanisms [15]; D. Tkachenko linked governance-quality assessment to investment attractiveness [16]; and A. Dementieva, comparing national governance models, showed that the choice of model depends on the institutional environment [17]. Local research on Uzbekistan has examined related aspects: E.A. Muminova developed a methodology for assessing governance quality and the harmonisation of interests [18]; Sh.K. Kurbaniyazov proposed an industry-specific assessment approach for the building materials industry [19]; D.Kh. Suyunov and E.A. Khoshimov analysed the convergence of governance models with national practice [20]; M.Sh. Goziyev advanced a stakeholder approach to assessing the economic potential of construction enterprises [21]; and Z.D. Arifdjanova emphasised the role of organisational factors in improving management efficiency at construction enterprises [22]. Taken together, this literature shows that the influence of corporate governance on performance is theoretically well substantiated, but most existing models are universal rather than industry-specific, and how the project-based structure, long production cycle and subcontracting chains of construction alter the operation of governance mechanisms — compounded, in Uzbekistan, by enterprise fragmentation and a large informal sector — has not been sufficiently disclosed, which the present article addresses.

Research methodology. The research is of a theoretical character; the main attention is devoted to disclosing the theoretical foundations for assessing the impact of corporate governance mechanisms on economic efficiency at construction enterprises. In the course of the research, methods of institutional and dynamic analysis, logical comparison, generalisation, scientific abstraction, the systems approach, and statistical and comparative analysis were applied to the subject under study.

Main part. In its most general sense, corporate governance is a system of relations that determines the distribution of rights and obligations among the supreme governing bodies of an enterprise, its executive management, shareholders and other stakeholders, the procedure for taking decisions and the mechanisms of control. Its economic content is manifested in its influence on the quality of resource allocation: the more clearly the governance structure is defined and the more transparently responsibility is assigned, the lower the probability that resources will be expended without purpose.

In the author's interpretation, corporate governance at a construction enterprise is a set of institutional mechanisms which, by coordinating the interests of owners, the supervisory board, the executive body, subcontractors and clients under the conditions of project-based activity, ensures the efficient allocation of resources across projects and the transparent accountability of results. Three features specific to construction are distinguished in this definition: the operation of governance in a project context, the inclusion of the subcontracting chain in the object of governance, and the distribution of accountability across the stages of the project.

Several theoretical approaches exist for explaining the impact of corporate governance on economic efficiency, each of which interprets the mechanism of that impact in its own way (Table 1).

Table 1

Theoretical approaches explaining the impact of corporate governance on economic efficiency

Theoretical approach	Core idea	Mechanism of impact on efficiency	Limits of application in construction
Agency theory	Divergence between the interests of owners and managers	Reduction of agency costs through monitoring and incentives	Monitoring of decisions taken at project level is complex

Theoretical approach	Core idea	Mechanism of impact on efficiency	Limits of application in construction
Stewardship theory	The manager treats the interests of the corporation as his own	Increase of responsiveness through the extension of authority	Risk of weakened control in large projects
Stakeholder theory	Balance of the interests of all stakeholders	Stable relations with clients, subcontractors and society	Stakeholders are numerous and changeable
Transaction cost theory	The governance structure depends on contractual complexity	Reduction of contracting and coordination costs	Subcontracting chains are long and multi-tiered
Institutional approach	Formal rules and the level of legal protection	Reduction of uncertainty and institutional risks	High share of the informal sector
Resource-based approach	Unique resources and capabilities as a source of advantage	Transformation of managerial capability into a strategic resource	Shortage of qualified management personnel

As the table shows, the theoretical approaches do not negate one another but reveal different facets of the impact. Whereas agency theory substantiates the necessity of control mechanisms, stewardship theory warns of the costliness of excessive control; the stakeholder and institutional approaches, for their part, extend the scope of assessment beyond the boundaries of the enterprise. Under the conditions of the construction industry, a synthetic model uniting these approaches is methodologically justified. Corporate governance affects efficiency not directly, but through particular mechanisms and channels. Systematising these mechanisms makes it possible to select assessment indicators correctly (Table 2).

Table 2

Structural elements of corporate governance mechanisms and channels of their impact on economic efficiency

Mechanism	Structural elements	Channel of impact	Measurement indicator
Ownership structure	Composition of shareholders, state share, degree of concentration	Effectiveness of control and speed of decision-making	Share of the major shareholder, state share, %
Supervisory board	Number of members, independent members, specialised committees	Reduction of agency costs	Share of independent members, number of meetings
Executive body	Scope of authority, KPI system, remuneration	Improvement in the quality of managerial decisions	Fulfilment of KPIs, turnover of management
Transparency and accountability	Information disclosure, IFRS reporting, external audit	Reduction of information asymmetry	Share of mandatory information disclosed
Internal control and audit	Internal audit service, compliance, risk management	Prevention of losses and abuse	Deficiencies identified and eliminated
Dividend and capital policy	Dividend policy, management of the debt burden	Reduction of the cost of capital	Stability of dividend payments, LEV
Relations with stakeholders	Communication with clients, subcontractors, banks and society	Reduction of contractual and reputational risks	Number of disputes, contract performance

The influence of the mechanisms indicated proceeds differently in the construction industry than in other industries. The characteristics of the industry act as a moderating factor that changes the strength and even the direction of the relationship between corporate governance and efficiency (Table 3).

Table 3

Specific characteristics of the construction industry affecting corporate governance

Industry characteristic	Effect on corporate governance	Emerging risks and requirements
Project-based structure of activity	Decision-making powers are dispersed across projects	Central control weakens; accountability at project level is required
Length of the production cycle	The financial result is spread over several reporting periods	Assessment based on annual indicators is distorted
Subcontracting and cooperation chains	The object of governance extends beyond the enterprise	Transparency and responsibility along the chain must be ensured
Related-party transactions	The probability of conflicts of interest increases	The role of the supervisory board and internal audit grows
Tender and public procurement process	External regulatory requirements are strong	Disclosure and compliance obligations increase
Capital intensity and seasonality	Working capital is tied up for long periods	Financial stability and debt burden management become critical

In order to assess the corporate governance environment in the industry it is necessary to consider its quantitatively measurable context. The dynamics and structural parameters of the construction industry in recent years are presented in Table 4.

Table 4

Main indicators of the construction industry of the Republic of Uzbekistan, 2020–2025

Year	Volume of construction works, trillion soums	Nominal growth against the previous year, %	Ratio to 2020, times
2020	88.1	–	1.00
2021	107.5	122.0	1.22
2022	130.8	121.7	1.48
2023	222.9	170.4	2.53
2024	259.7	116.5	2.95
2025	313.9	120.9	3.56

The stability of volume growth in the industry makes the issue of corporate governance still more topical: the expansion of capital flows raises the requirements placed on the quality of governance. At the same time, the organisational and institutional structure of the industry does not fully meet this requirement (Table 5).

Table 5

Indicators characterising the corporate governance environment in the construction industry, 2025

Indicator	Value	Interpretation from the corporate governance perspective
Number of construction enterprises	30.1 thousand units	Fragmentation of enterprises narrows the coverage of classical mechanisms

Indicator	Value	Interpretation from the corporate governance perspective
Share of small enterprises and microfirms	47.8 %	The institutions of the supervisory board and internal audit are not in fact formed
Share of large construction organisations	26.4 %	The main segment for introducing corporate governance standards
Share of the informal sector	25.8 %	Remaining outside disclosure and accountability distorts the assessment base
Construction enterprises with foreign capital	1,412 (+327)	Growing demand for international governance standards
Investment in construction and installation works	282.5 trillion soums	The scale of capital flows raises the requirements for the quality of control
Share of decentralised sources	89.4 %	Transfer of project risks onto the enterprise

The data of the table reveal the principal institutional contradiction in the industry: at a time when capital flows and the scale of projects are becoming larger, almost half of the enterprises operate in a segment in which corporate governance mechanisms are not in fact applied. The 25.8 per cent share of the informal sector, in turn, hinders the formation of a reliable statistical base on the quality of governance for the industry as a whole. The assessment methodology must therefore take the segmentation of the industry into account.

Generalising the analysis of the theoretical views, mechanisms and industry characteristics set out above, a theoretical and conceptual model of the mechanism through which corporate governance affects the economic efficiency of a construction enterprise is proposed (Figure 1).

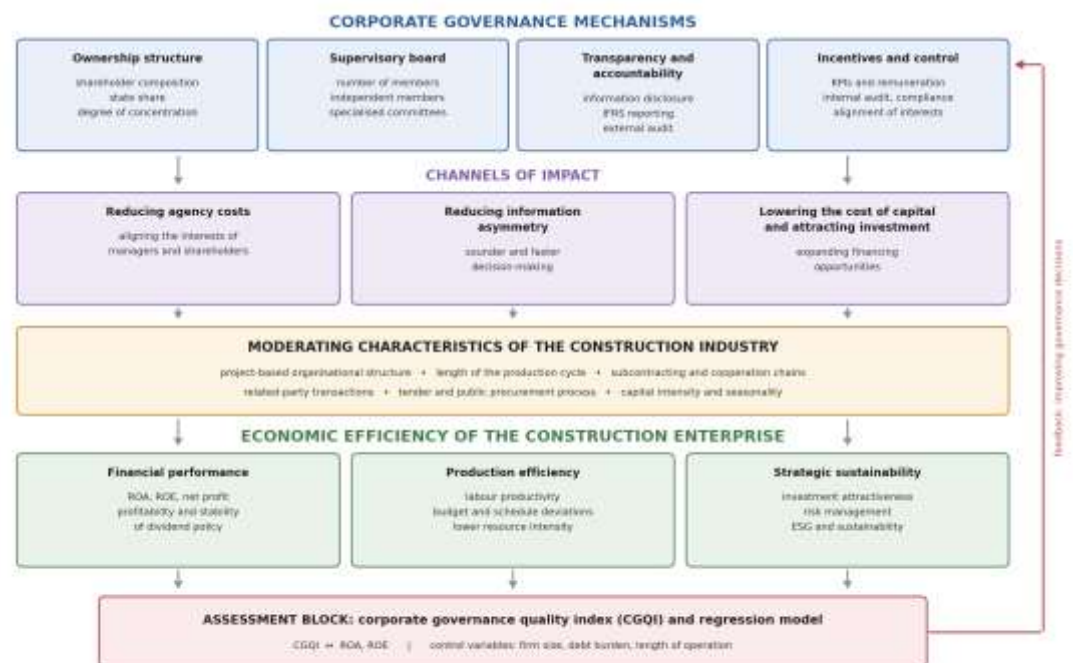


Figure 1. Theoretical and conceptual model of the mechanism of the impact of corporate governance on the economic efficiency of a construction enterprise

The model is based on a four-level logical sequence. At the first level are the four principal mechanisms of corporate governance — ownership structure, the supervisory board, transparency and accountability, and the system of incentives and control. At the second level they are directed towards the economic result through three channels of impact: the reduction of agency costs, the reduction of information asymmetry and the lowering of the cost of capital. The third level — the moderating characteristics of the construction industry — alters the transmission capacity of these channels. At the fourth

level efficiency is manifested in the form of financial performance, production efficiency and strategic sustainability, while the fifth block provides assessment and feedback. The criteria for assessing the results of the research should be formed in coordination with the blocks of corporate governance. Defining a method of measurement and a desirable direction of change for each criterion ensures the reproducibility of the assessment and its comparability across enterprises (Table 6).

Table 6

System of criteria for assessing the impact of corporate governance on economic efficiency

Criterion	Indicator	Method of calculation	Desirable direction
Financial performance	Return on assets (ROA)	Net profit / average assets	Increase
Capital efficiency	Return on equity (ROE)	Net profit / equity	Increase
Financial stability	Debt burden ratio (LEV)	Liabilities / total assets	Decrease
Managerial discipline	Deviation from budget and schedule	Deviation of the actual indicator from the plan	Decrease
Transparency	Share of mandatory information disclosed	Disclosed / required documents	Increase
Quality of control	Share of independent supervisory board members	Independent members / board members	Increase
Relations with stakeholders	Number of contractual disputes	Disputes recorded in the reporting period	Decrease
Sustainable development	Level of compliance with ESG requirements	Share of requirements fulfilled	Increase

The methodological feature of this system of criteria is that it combines financial and non-financial measures on an equal footing. Since in construction the financial result of a project is often spread over several reporting periods, non-financial criteria such as schedule and budget discipline, transparency and the quality of control serve as reliable leading indicators of the future financial result.

2. Conclusions and proposals

Reliance on a single theory is methodologically insufficient for assessing the impact of corporate governance on the economic efficiency of a construction enterprise. A model synthesising the agency, stewardship, stakeholder, transaction cost, institutional and resource-based approaches corresponds more closely to the conditions of the industry. Corporate governance affects efficiency not directly, but through the channels of reducing agency costs, reducing information asymmetry and lowering the cost of capital. Distinguishing these channels within the assessment model increases the accuracy with which the results are interpreted.

The project-based structure of the construction industry, the length of the production cycle, subcontracting chains, related-party transactions and the specific nature of tender procedures should be included in the model as moderating factors of the relationship between corporate governance and efficiency.

In order to raise the quality of corporate governance at construction enterprises, measures are recommended in the following directions: attracting independent members to the composition of the supervisory board and forming specialised committees; strengthening the powers of the internal audit and compliance services; tightening the procedure for approving related-party transactions; and introducing a system of accountability at the project level.

At the industry level it is expedient to extend information disclosure requirements gradually to small and medium-sized construction enterprises, to encourage the formalisation of the informal sector and to form a unified methodological base for

assessing the quality of corporate governance. These tasks correspond in substance to the priority directions defined in the strategy for managing and reforming state-owned enterprises.

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