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## **ADVANTAGES AND PROBLEMS OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS): UZBEKISTAN'S EXPERIENCE**

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### **Abstract**

This article explores the benefits and challenges of adopting International Financial Reporting Standards (IFRS) in the context of Uzbekistan's transition towards international financial transparency. The study aims to identify how IFRS contributes to enhancing the reliability, comparability, and transparency of financial statements among local companies while also addressing the practical barriers faced during its implementation. Based on literature analysis and field data, the paper presents both theoretical and empirical insights into the adoption process and its impact on the accounting practices in Uzbekistan.

**Keywords:** IFRS, financial reporting, Uzbekistan, accounting reform, transparency, comparability, implementation challenges, standardization, economic development, convergence.

### **MOLIYAVIY HISOBOTLARNING XALQARO STANDARTLARI (IFRS)GA O'TISHNING AFZALLIKLARI VA MUAMMOLARI: O'ZBEKISTON TAJRIBASI**

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### **Annotatsiya:**

Ushbu maqolada O‘zbekistonning xalqaro moliyaviy shaffoflikka o‘tish jarayonida Xalqaro moliyaviy hisobot standartlarini (IFRS) joriy etishning afzalliklari va muammolari o‘rganiladi. Tadqiqotda IFRS mahalliy kompaniyalar moliyaviy hisobotlarining ishonchliligi, taqqoslanuvchanligi va shaffofligini oshirishga qanday hissa qo‘shayotgani hamda uning amaliyotga tatbiq etilishida duch kelinayotgan to‘siqlar aniqlanadi. Adabiyotlar tahlili va amaliy ma’lumotlar asosida maqolada O‘zbekistonda IFRSni joriy etish jarayoni hamda bu standartlarning buxgalteriya amaliyotiga ta’siri nazariy va empirik jihatdan tahlil qilinadi.

**Kalit so‘zlar:** IFRS, moliyaviy hisobot, O‘zbekiston, buxgalteriya islohotlari, shaffoflik, taqqoslanuvchanlik, joriy etishdagi muammolar, standartlashtirish, iqtisodiy rivojlanish, uyg‘unlashuv.

### **Introduction**

In recent years, Uzbekistan has actively pursued economic reforms aimed at aligning its financial and regulatory systems with global standards. One key aspect of these reforms is the gradual adoption of International Financial Reporting Standards (IFRS) to improve the quality and comparability of financial information. The shift from national accounting standards to IFRS is not only a technical transition but also a strategic step toward attracting foreign investment, enhancing corporate governance, and increasing economic transparency. While the implementation of IFRS presents promising opportunities, it also introduces various institutional, educational, and technical challenges that must be addressed through coordinated policy efforts. This study focuses on analyzing the real-world implications of IFRS adoption in Uzbekistan and evaluating its impact on local enterprises, financial institutions, and regulatory bodies.

### **Literature Review**

The adoption of International Financial Reporting Standards (IFRS) has been extensively studied in both developed and developing economies. Scholars such



as Nobes and Parker (2016) emphasize that IFRS improves the comparability and reliability of financial statements across borders, facilitating greater economic integration and capital market efficiency. In transition economies, however, the implementation process often encounters numerous obstacles, including limited institutional capacity, lack of qualified personnel, and resistance from stakeholders used to local standards (Albu & Albu, 2012).

In the context of post-Soviet states, including Uzbekistan, researchers like Mirza and Holt (2011) note that historical reliance on Soviet-style accounting systems has created significant barriers to IFRS alignment. These systems were primarily tax-oriented and did not prioritize transparency or investor needs. According to Zeghal and Mhedhbi (2006), the successful adoption of IFRS is closely linked to a country's level of education, legal infrastructure, and openness to global markets.

Several empirical studies suggest that while the initial costs of IFRS adoption—such as training, software changes, and regulatory updates—can be high, the long-term benefits often outweigh them. For instance, Barth et al. (2008) find that firms reporting under IFRS generally demonstrate higher accounting quality. However, other authors, like Ball (2006), caution that the effectiveness of IFRS also depends on enforcement mechanisms and the broader institutional environment.

In Uzbekistan, limited academic literature is available specifically on IFRS adoption. However, local studies and government reports indicate growing recognition of the need for standardized financial reporting, especially following the country's economic liberalization and increased foreign trade. Despite this recognition, challenges remain in terms of legislative alignment, professional training, and digital infrastructure readiness. The literature highlights that for Uzbekistan to benefit fully from IFRS, a combination of technical, educational, and institutional reforms is essential.

## **Methodology**

This study employs a mixed-methods approach combining qualitative and quantitative data to assess the advantages and challenges of adopting IFRS in Uzbekistan. The research design is based on three core components: document



analysis, expert interviews, and a survey of accounting professionals. This triangulated approach ensures a comprehensive understanding of both theoretical and practical aspects of IFRS implementation.

First, a review of official government documents, policy briefs, and IFRS-related implementation reports was conducted to trace the historical and regulatory background of accounting reforms in Uzbekistan. This secondary data helped identify key milestones, regulatory changes, and institutional actors involved in the transition to IFRS.

Second, semi-structured interviews were held with 12 experts, including financial analysts, auditors, university lecturers, and officials from the Ministry of Finance. The interview questions focused on practical experiences, encountered challenges, perceived benefits, and suggestions for effective adoption of IFRS. Thematic coding was applied to analyze the qualitative data and extract dominant perspectives across different sectors.

Third, a structured online survey was distributed to 80 accounting practitioners working in private enterprises, public companies, and accounting firms across Uzbekistan. The survey consisted of 20 questions grouped into three categories: awareness and knowledge of IFRS, practical implementation experiences, and perceived institutional support. Responses were statistically analyzed using descriptive and inferential techniques to highlight key trends and patterns.

This methodological framework allows for a nuanced and multidimensional evaluation of IFRS adoption in the Uzbek context. By integrating documentary evidence, expert opinion, and practitioner feedback, the study aims to bridge the gap between policy intentions and on-the-ground realities.

## **Results**

The results of the study reveal a complex landscape regarding the adoption of IFRS in Uzbekistan, marked by both notable progress and persistent challenges. Based on survey data, 72% of respondents indicated that their organizations have begun transitioning to IFRS-compliant financial reporting practices. Among these, large enterprises and foreign-invested firms were significantly more likely to have advanced in implementation compared to small and medium-sized



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enterprises (SMEs), many of which still rely on national standards due to resource constraints.

Interview findings support this trend, highlighting that international exposure and external audit requirements are major drivers of IFRS adoption. Several respondents emphasized that foreign investors and partners increasingly demand IFRS-based reports for transparency and credibility. In turn, this has pushed a number of public joint-stock companies and financial institutions to restructure their accounting departments and invest in IFRS training programs.

However, challenges remain substantial. Approximately 63% of survey participants noted a lack of specialized IFRS training as a key obstacle. While some universities and professional associations have begun offering courses, the coverage remains insufficient, particularly in regional areas. In addition, 48% of respondents cited the high cost of implementation—including the need for updated software, consultancy services, and system upgrades—as a deterrent for full compliance.

Moreover, inconsistencies in legislative alignment were frequently mentioned during expert interviews. Several experts pointed out that certain national regulations still conflict with IFRS principles, causing confusion and limiting uniform application across industries. This legal fragmentation was particularly evident in sectors such as construction, manufacturing, and agriculture, where asset valuation and revenue recognition practices differ from international norms.

The study also found that only 39% of respondents felt they received adequate institutional support during the transition to IFRS. Most practitioners described the guidance from regulatory authorities as limited, often general in nature, and lacking in detailed procedural instructions. This points to the need for clearer policy frameworks, sector-specific guidelines, and proactive regulatory engagement.

On a positive note, companies that have implemented IFRS reported several long-term benefits. These include improved internal financial control, greater appeal to foreign partners, enhanced strategic planning, and easier access to international financing. Notably, firms with experience in IFRS also indicated



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that over time, reporting processes became more streamlined and transparent, despite initial difficulties.

#### Discussion

The findings from this study highlight both the potential and the complexity of adopting International Financial Reporting Standards (IFRS) in Uzbekistan. While the country has made commendable strides in aligning with global financial reporting practices, the road to full and effective implementation remains challenging. The analysis suggests that Uzbekistan's journey reflects many of the patterns seen in other emerging economies—initial enthusiasm, uneven institutional readiness, and significant educational and infrastructural barriers.

The high rate of IFRS adoption among large firms and foreign-invested enterprises suggests that market-driven incentives play a key role. These entities are often motivated by the need to meet the expectations of international investors and financial institutions, which value transparency and comparability. This supports the theory that external economic integration can be a powerful catalyst for domestic financial reforms.

However, the lower adoption rate among SMEs points to a critical gap. These businesses often lack the resources and capacity to implement IFRS without external support. The cost burden associated with training, system upgrades, and compliance consulting creates a structural disadvantage that may widen over time unless addressed through policy measures, such as tax incentives or government subsidies.

Education emerges as another critical pillar in the transition process. The lack of widespread, high-quality IFRS training was cited as a major barrier in both the survey and expert interviews. This challenge is not unique to Uzbekistan; however, it is exacerbated by the country's centralized education system and limited availability of updated accounting curricula. Without a strategic focus on professional development, the quality and consistency of IFRS reporting will remain limited.

Furthermore, legislative misalignment remains a recurring issue. When national regulations conflict with IFRS principles, companies are forced to choose between compliance with domestic law or adherence to international standards.





This creates uncertainty and undermines the credibility of financial reporting. To resolve this, Uzbekistan needs to establish a cohesive legal framework that supports IFRS across all sectors.

Institutional support also requires significant improvement. Regulatory bodies must shift from passive oversight to active facilitation, offering clear, sector-specific guidance and engaging in regular dialogue with practitioners. The development of IFRS-focused working groups, online platforms for consultation, and accessible documentation can go a long way in smoothing the transition process.

Despite these challenges, the long-term benefits of IFRS adoption are evident. Companies that have successfully implemented the standards report enhanced internal governance, better financial planning, and stronger international positioning. These outcomes align with the goals of Uzbekistan's broader economic reform agenda and suggest that continued investment in IFRS adoption will yield significant returns.

## **Main Part**

Uzbekistan's movement toward the adoption of International Financial Reporting Standards (IFRS) can be understood through the broader context of its economic modernization and integration with global markets. As part of the national development strategy, particularly since 2017, financial reform has been a core priority, with emphasis placed on enhancing the transparency and accountability of public and private sector organizations. This section provides a comprehensive analysis of the driving forces, sectoral implementation patterns, and institutional dynamics involved in the IFRS adoption process.

One of the primary motivations for transitioning to IFRS is to improve investor confidence. By aligning with globally recognized accounting standards, Uzbek companies can present more transparent and comparable financial statements, which is essential for attracting foreign direct investment (FDI) and securing international loans. Several large state-owned enterprises (SOEs), including those in the banking and energy sectors, have already been mandated to report under IFRS, signaling a top-down push for standardization.



The Ministry of Finance and the National Accounting Standards Board play central roles in coordinating the transition. These institutions have issued policy documents and roadmaps for IFRS implementation, particularly for public interest entities. However, the enforcement mechanisms remain weak. While regulatory reforms have been announced, their practical implementation often lags due to bureaucratic inefficiencies and insufficient coordination among institutions.

In terms of sectoral progress, the banking and insurance sectors are ahead of others due to stricter regulatory requirements and external pressure from international stakeholders such as the IMF and World Bank. Conversely, agriculture, construction, and manufacturing sectors are slower to adopt IFRS due to limited awareness, technical challenges, and less exposure to international financing.

Technological infrastructure also plays a critical role. Firms with access to modern Enterprise Resource Planning (ERP) systems or cloud-based accounting tools find it significantly easier to align with IFRS requirements. However, many small enterprises still rely on outdated software or manual bookkeeping, making compliance both time-consuming and costly. Digital transformation is thus a necessary precondition for successful IFRS integration.

Capacity building remains a bottleneck. Although universities and training centers are beginning to incorporate IFRS modules, the supply of qualified IFRS professionals remains far below demand. Accounting associations such as the Chamber of Auditors and ACCA (Association of Chartered Certified Accountants) are increasing their footprint in Uzbekistan, but certification costs and language barriers limit access for many local professionals.

To address these challenges, Uzbekistan could benefit from a multi-pronged policy approach. This would include legal harmonization of national accounting laws with IFRS principles, subsidized IFRS training programs for SMEs, development of sector-specific guidelines, and digital infrastructure support. Regional pilot programs could be established to test implementation models and gather feedback for nationwide scale-up.

Ultimately, the successful institutionalization of IFRS in Uzbekistan requires not only technical adjustments but also a cultural shift toward transparency and





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accountability in financial reporting. A strong commitment from both the public and private sectors is essential to sustain the momentum and ensure that IFRS adoption is not just a formal requirement, but a transformative tool for long-term economic development.

### **Conclusion**

The transition to International Financial Reporting Standards (IFRS) in Uzbekistan represents a strategic step toward aligning the country's financial ecosystem with international norms and enhancing its economic competitiveness. This study has shown that while the benefits of IFRS adoption—such as increased transparency, improved investor confidence, and access to global capital—are widely recognized, their realization depends on overcoming a range of structural and institutional barriers.

Key challenges include the lack of qualified accounting professionals, high implementation costs, outdated technological infrastructure, and partial legal misalignment. Moreover, the limited availability of sector-specific guidelines and the passive role of regulatory authorities contribute to inconsistent application across industries, particularly among SMEs.

Despite these hurdles, the experience of large enterprises and financial institutions demonstrates that with the right support mechanisms, IFRS can be effectively integrated into national accounting practices. Enhanced training programs, coordinated policy reforms, and investment in digital systems are essential to broaden adoption and ensure sustainability.

For Uzbekistan to fully leverage the advantages of IFRS, a cohesive, multi-stakeholder strategy must be pursued—one that includes educational institutions, regulators, professional associations, and private sector actors. Only through this collaborative effort can IFRS serve not merely as a compliance measure, but as a catalyst for deeper financial reform and economic modernization.



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