

IFRS IMPLEMENTATION AND FINANCIAL REPORTING QUALITY: EVIDENCE FROM UZBEKISTAN AND TRANSITION ECONOMIES

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1. Introduction and Background

In the context of globalization and economic liberalization, ensuring transparency and comparability of financial information has become a critical priority for emerging markets. The adoption of International Financial Reporting Standards (IFRS) aims to harmonize accounting practices and strengthen investor confidence.

In Uzbekistan, the transition to IFRS officially began with Presidential Decree PF-5959 (February 24, 2020), which mandated IFRS-based reporting for large enterprises from 2021 onward. This reform coincided with similar transitions in Kazakhstan, Georgia, and Ukraine, marking a shift from rule-based national systems toward principle-based international frameworks.

However, while regulatory progress has been rapid, the impact of IFRS adoption on actual reporting quality, transparency, and investor perception remains under-researched in Uzbekistan. Globally, empirical findings are mixed: while some studies (Barth et al., 2008; Ahmed et al., 2013) suggest IFRS improves information quality, others highlight challenges related to enforcement, institutional capacity, and auditor independence.

This research seeks to bridge that gap by examining how IFRS implementation influences financial reporting quality in Uzbekistan, and by comparing findings with other transition economies that have undergone similar reforms.

2. Research Problem

Despite formal convergence with IFRS, questions persist about the depth of compliance and real improvement in disclosure quality among Uzbek firms. Specific challenges include:

- limited professional capacity and IFRS training among accountants;
- adaptation difficulties of legacy accounting systems;
- inconsistent regulatory enforcement;
- high implementation costs for SMEs.

Thus, the research problem can be stated as:

“To what extent has IFRS adoption improved the quality, transparency, and comparability of financial reporting in Uzbekistan compared to other transition economies?”

3. Research Objectives

1. To analyze the current state and institutional framework of IFRS implementation in Uzbekistan.
2. To measure the effect of IFRS adoption on financial reporting quality indicators such as transparency, comparability, and earnings management.
3. To compare Uzbekistan's IFRS implementation experience with selected transition economies (e.g., Kazakhstan, Georgia, Poland).
4. To identify challenges and success factors influencing IFRS adoption effectiveness.
5. To propose policy and professional recommendations for improving reporting quality under IFRS.

4. Research Questions

1. How effectively have Uzbek enterprises transitioned from national standards to IFRS?
2. What is the impact of IFRS on the reliability and comparability of financial statements?
3. Which institutional, professional, and technological factors affect IFRS compliance?
4. What lessons can Uzbekistan learn from other transition economies' experiences?

5. Research Hypotheses

- H₁: IFRS adoption has a positive and significant effect on the quality and comparability of corporate financial reports in Uzbekistan.
- H₂: The extent of professional training and regulatory enforcement positively moderates the relationship between IFRS adoption and reporting quality.
- H₃: Firms with foreign ownership or audit by international firms demonstrate higher IFRS compliance levels than domestically owned firms.

6. Literature Review (brief summary)

Prior studies show that IFRS adoption enhances earnings quality and investor confidence when supported by institutional enforcement (Barth et al., 2008; Houqe & Monem, 2016).

In transition economies, Phan et al. (2022) highlight that political, legal, and educational contexts determine IFRS success more than mere formal adoption. In Central Asia, research by Abdullaev (2023) and Kozlova (2021) indicates partial compliance, with gaps in fair-value measurement and disclosure practices.

This study extends that literature by providing empirical evidence from Uzbekistan, where data are still emerging but reforms are ongoing.

7. Methodology

Research design:

A comparative mixed-methods approach combining quantitative and qualitative data. Data sources:

- Secondary data from listed Uzbek companies' IFRS financial statements (2021–2024).
- Regulatory reports from the Ministry of Finance, Chamber of Auditors, and World Bank.
- Comparative datasets from transition economies (Kazakhstan, Georgia, Poland).
- Semi-structured interviews with 10–15 accounting professionals, auditors, and regulators.

Quantitative analysis:

- Financial reporting quality indicators: accrual quality, earnings persistence, and value relevance.
- Regression model to test IFRS impact on reporting quality (panel data 2018–2024).
- Comparative analysis using paired t-tests or difference-in-differences method.

Qualitative analysis:

- Thematic coding of interviews to identify practical challenges, perceptions, and institutional constraints.

8. Expected Results

- Improved transparency and comparability of financial reports among IFRS-adopting firms.
- Identification of key institutional barriers (training, audit quality, enforcement).
- Comparative insights showing that Uzbekistan's progress is similar to Kazakhstan's early reform stage but lags behind EU transition economies.
- Policy recommendations for strengthening IFRS education, audit quality assurance, and digital reporting infrastructure.

9. Research Significance

This study contributes to both theory and practice by:

- enriching empirical literature on IFRS adoption in emerging economies;
- offering evidence-based recommendations for Uzbekistan's Ministry of Finance, universities, and auditing associations;
- supporting ongoing regional harmonization with international financial standards;
- providing a reference for further comparative studies in Central Asia.

10. Limitations

- Limited access to full IFRS statements in non-listed enterprises;
- Potential measurement errors in manually collected data;

- Differences in enforcement intensity across countries may affect comparability.

11. References

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