

**Transformation of the Financial Sector of the Republic of Uzbekistan:
Transition to International Financial Reporting Standards (IFRS)****Uzoqova Feruza Baraka qizi ¹****Abstract**

The article is devoted to the analysis of the process of transition of the Republic of Uzbekistan to the International Financial Reporting Standards (IFRS). It discusses the main stages and objectives of this process, as well as assesses the potential benefits and difficulties that the republic may face in the course of implementing this task. The authors of the article draw attention to the importance of increasing the transparency of financial reporting for attracting foreign investment and successful integration into the world economy. Particular attention is paid to the analysis of macroeconomic indicators of the Republic of Uzbekistan in recent years, which indicate the positive dynamics of the country's economic development. In conclusion, the authors emphasize the importance of a comprehensive approach to reforming the financial system, emphasizing the role of IFRS as an important tool for achieving the strategic goals of the republic's development.

Keywords: *International Financial Reporting Standards (IFRS), financial reporting reform, economy of Uzbekistan, investment climate, transparency of reporting, corporate governance, macroeconomic development, strategic planning.*

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Introduction

The transition to International Financial Reporting Standards (IFRS) is an important stage in the development of the financial system of the Republic of Uzbekistan. This process not only reflects global trends in accounting and financial reporting, but is also part of broader economic reforms aimed at improving the investment climate, increasing business transparency, and integrating the Uzbek economy into the global economic system.

Since 2019, the use of IFRS has become mandatory for a wide range of enterprises in Uzbekistan, including banks, insurance companies, open joint-stock companies and other organizations. This step is a logical continuation of reforms aimed at improving the business environment and creating conditions for attracting foreign investment.

The transition to IFRS in Uzbekistan is accompanied by a number of challenges, including the need to train accountants and auditors, adapt existing information systems, as well as change in corporate culture and perception of financial statements. At the same time, it opens up new opportunities to improve the quality and usefulness of financial information, which in turn can help attract investment and accelerate economic growth.

In this article, we will look at the key aspects of the transition to IFRS in Uzbekistan, assess its impact on the country's economy and business community, and discuss the prospects and challenges associated with this important step.

Transition to IFRS: Overview and Context

Uzbekistan, like many other countries, seeks to modernize its economy and integrate into the global economic system. In this context, the transition to International Financial Reporting Standards (IFRS) has become a key element of economic reforms. Historically established national accounting and financial reporting standards no longer met the requirements of modern businesses and investors seeking transparency and comparability of financial information.

The reasons for the adoption of IFRS in Uzbekistan are diverse and include the desire to improve the investment climate, increase confidence in the financial statements of local companies, and ensure compliance with international standards. This, in turn, helps attract foreign investment, improves the business environment and contributes to economic growth.

The process of transition to IFRS in Uzbekistan was divided into several key stages. The initial stage included the development of a regulatory framework, training of specialists and adaptation of accounting systems. This was followed by a transition period, during which companies gradually adapted to the new standards, while applying national standards at the same time.

Since 2019, the use of IFRS has become mandatory for large companies and financial institutions, which has become an important step towards the full integration of the Uzbek economy into the global financial system.

The next stage includes further expanding the range of companies required to apply IFRS, as well as improving the quality and transparency of financial statements. This process requires continuous training and development of the qualifications of accountants, auditors and other financial professionals, as well as the improvement of the legislative and regulatory framework.

Major Changes and Their Impact

The transition to International Financial Reporting Standards (IFRS) in the Republic of

Uzbekistan entails a number of significant changes in accounting and financial reporting, which have a noticeable impact on the work of companies, their financial condition and relations with investors and other stakeholders.

Key Changes in Accounting and Financial Reporting

1. **Accounting for Assets and Liabilities:** IFRS requires a more thorough assessment and classification of assets and liabilities, which may lead to changes in their carrying amounts.
2. **Valuation of Income and Expenses:** The new standards imply changes in the accounting of income and expenses, which may affect the reporting of financial results.
3. **Disclosure:** IFRS imposes stricter disclosure requirements, which increases the transparency of financial statements.

Impact on Companies' Operations

1. **Transparency and Comparability:** The adoption of IFRS improves the transparency and comparability of financial statements, which makes it easier for investors and other stakeholders to analyze and evaluate the performance of companies.
2. **Risk Management:** A more accurate assessment of assets and liabilities contributes to better financial risk management.
3. **Investment attractiveness:** Improving the quality of financial reporting increases the investment attractiveness of companies and helps to attract foreign investment.

Investor and Other Stakeholder Relations

1. **Investor Confidence:** Increasing the transparency and reliability of financial reporting strengthens investor confidence.
2. **Market Communication:** Companies are able to communicate more effectively with the market and demonstrate their financial strength.
3. **Compliance with International Standards:** The adoption of IFRS ensures that companies comply with international standards, which is an important factor in a globalized world.

Benefits & Challenges

The transition to International Financial Reporting Standards (IFRS) in Uzbekistan opens up new horizons for improving financial transparency and increasing confidence from investors and other stakeholders.

The transparency and comparability of financial statements provided by IFRS greatly facilitates the process of making informed investment and management decisions. Companies that use international standards demonstrate their commitment to best practices and openness, which can contribute to strengthening their reputation internationally.

In addition, the improved quality of financial reporting and risk management achieved through the implementation of IFRS creates a more resilient financial environment, which contributes to economic growth and sustainable development.

Despite the obvious benefits, the transition to IFRS also presents a number of challenges. Staff training and onboarding, changes in accounting systems and processes, and the need for a cultural change in the way financial statements are perceived as significant challenges.

There is a risk of resistance to change on the part of accountants and managers accustomed to working according to national standards. In addition, the need for significant investments in training and development of personnel, as well as in the adaptation of technological infrastructure, can put additional strain on the resources of companies, especially small and medium-sized enterprises.

To successfully transition to IFRS and minimize the associated challenges, companies and the government of Uzbekistan need to develop and implement effective strategies. This includes the creation of educational programs and professional development courses, the provision of methodological and technical support to businesses, as well as the development of incentives to accelerate adaptation to new standards.

Cooperation with international financial institutions and IFRS experts can provide valuable resources and knowledge to facilitate a smoother transition to International Standards.

Prospects and Opportunities for Development

The transition to International Financial Reporting Standards (IFRS) opens up new horizons for the Republic of Uzbekistan for development and integration into the world economic system. This process not only contributes to improving the quality of financial reporting, but also creates the basis for sustainable economic growth and attracting foreign investment.

Improving the investment climate

The use of IFRS makes the financial statements of Uzbek companies more understandable and transparent for foreign investors, which increases the investment attractiveness of the country. Moreover, it contributes to the creation of an enabling environment for doing business by providing clearer and more unambiguous rules in the field of financial reporting.

Promoting Innovation and Development

The introduction of international standards stimulates innovation and development in the field of accounting and financial management. Companies strive to implement best practices and modern technologies, which leads to increased efficiency and competitiveness.

Human Capital Development

The need for specialists with knowledge in the field of IFRS stimulates the development of educational programs and advanced training courses. This, in turn, contributes to the formation of qualified human capital capable of working effectively in the context of international standards.

Strengthening international relations

The integration of the Uzbek economy into the global financial system contributes to the strengthening of international economic ties and cooperation. This, in turn, opens up new opportunities for exports, investments and participation in international economic projects.

Long-term perspectives

In the long term, a successful transition to IFRS promises sustainable economic growth, an improved business environment and increased well-being of the population. It also contributes to the formation of an open and transparent economy that is able to adapt to changing global trends and challenges.

The transition of the Republic of Uzbekistan to the International Financial Reporting Standards (IFRS) is a large-scale and long-term task that requires significant efforts and investments. This process has already had an impact on the country's economic performance and its attractiveness to foreign investors. To assess the effect of IFRS implementation and understand current trends, let's look at macroeconomic data reflecting changes in the period from 2019 to 2022.

Table. 1 GDP per capita growth in the Republic of Uzbekistan by years

Year	GDP per capita (US\$)
2019	1784
2020	1749,7
2021	1983,1
2022	2255

Table 1 shows that GDP per capita in the Republic of Uzbekistan has shown stable growth over the period under review. The decline in 2020 can be explained by the global economic difficulties caused by the COVID-19 pandemic, but already in 2021 there is a recovery and subsequent growth of this indicator. These data testify to the stable development of the economy in the Republic of Uzbekistan and the success of the ongoing economic reforms.

Table. 2 Dynamics of changes in the number of small businesses operating in our republic with the participation of foreign capital

Year	Number of subjects
2019	7803
2020	10490
2021	11645
2022	13061

This indicates an increase in investment capital and the attractiveness of the Republic of Uzbekistan for foreign investors.

Although these indicators are not solely the result of accounting reform and the transition to IFRS, they reflect the positive dynamics in the economy of the country to which the transition to international standards has contributed.

It is expected that the further development and implementation of reforms reflected in the development strategy of New Uzbekistan for 2022-2026 will strengthen this positive trend, contributing to sustainable economic growth, improving the investment climate and improving the living standards of the population.

Conclusion

The process of transition of the Republic of Uzbekistan to the International Financial Reporting Standards (IFRS) is a key element in the country's economic development strategy. This is a large-scale and long-term undertaking that requires significant efforts, resources and commitment from the state, business and society.

The transition to IFRS is already showing positive results, such as improving the quality of financial statements, increasing transparency and attractiveness for foreign investors. Macroeconomic data reflecting the growth of GDP per capita and the increase in the number of small businesses with the participation of foreign capital confirm the positive dynamics of the

development of the economy of Uzbekistan.

However, despite the progress made, the process of transition to IFRS also presents a number of challenges. The need to adapt accounting systems, staff training and development, as well as a change in the culture of perception of financial statements require additional resources and efforts.

Looking to the future, it is expected that the further transition to IFRS will strengthen the positive trends in the economy of the Republic of Uzbekistan, contributing to its sustainable development and integration into the world economic system. The implementation of the development strategy of New Uzbekistan for 2022-2026 will be an important step towards achieving these goals.

The transition to IFRS is not just a change in accounting and reporting; This is a rethinking and modernization of the economy aimed at creating a transparent, open and competitive business environment. The Republic of Uzbekistan is taking important and decisive steps on this path, and despite all the difficulties and challenges, the prospects for the country's development look encouraging.

As a result, the transition to IFRS is becoming not just a requirement of the time, but also a strategic choice of Uzbekistan on the way to progress, stability and prosperity.

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