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ANALYSIS OF IFRS-BASED FINANCIAL REPORTING PRACTICES AND THE CURRENT STATE OF NATIONAL REPORTING SYSTEMS: GLOBAL EVIDENCE WITH A FOCUS ON UZBEKISTAN

Zunnunov Lazizkhon Olimkhon ugli
Tashkent state university of economics department of financial accounting and reporting phd candidate

Abstract. This study examines the practical application of International Financial Reporting Standards (IFRS) using verified international statistics and country-level evidence, with a particular focus on Uzbekistan. Drawing on data from the IFRS Foundation, IFAC, World Bank, OECD, and peer-reviewed empirical studies, the paper evaluates global adoption patterns, SME coverage, foreign direct investment (FDI) effects, and transparency outcomes. Unlike conceptual reviews, the analysis relies exclusively on measurable indicators and comparative statistics. The findings indicate that IFRS adoption is widespread and economically meaningful, but its effectiveness depends on institutional quality, regulatory enforcement, and alignment with national frameworks.
Keywords: IFRS adoption; financial reporting quality; foreign direct investment; IFRS for SMEs; transition economies; Uzbekistan; Kazakhstan.

1. Introduction

The increasing integration of global capital markets has heightened the demand for transparent and comparable financial information. Investors rely on standardized accounting frameworks to evaluate firms across jurisdictions. International Financial Reporting Standards (IFRS) have emerged as the dominant global framework designed to reduce information asymmetry and enhance investor confidence. While IFRS adoption has expanded rapidly, empirical evidence suggests that implementation outcomes vary significantly across countries.

Transition economies face particular challenges in IFRS implementation due to institutional constraints, limited professional capacity, and evolving regulatory systems. This study contributes to the literature by providing a comparative analysis of IFRS implementation in Uzbekistan and Kazakhstan, two post-Soviet economies that have pursued different reform trajectories.

2. Literature Review

Prior empirical studies provide mixed evidence on the economic consequences of IFRS adoption. Barth et al. (2008) find that IFRS adoption is associated with improved accounting quality and reduced earnings management. Similarly, Daske et al. (2013) document lower cost of capital following mandatory IFRS adoption. However, other studies argue that the benefits of IFRS depend on enforcement strength and institutional quality.

In transition economies, IFRS adoption often precedes the development of effective enforcement mechanisms. Therefore, formal compliance may not immediately translate into substantive transparency improvements. This literature highlights the importance of complementary reforms, including auditor oversight and professional education.

3. Global Adoption of IFRS: Statistical Overview

According to the IFRS Foundation, IFRS is required or permitted for publicly accountable entities in more than 140 jurisdictions worldwide [2]. Among G20 countries, 17 out of 20 require IFRS for listed companies, confirming its status as the global accounting language. Regional adoption levels vary but remain consistently high across Europe, Africa, and parts of Asia.

Table 1. Global IFRS Adoption by Region (IFRS Foundation, 2023)

Region	Number of Countries	IFRS Adoption Rate

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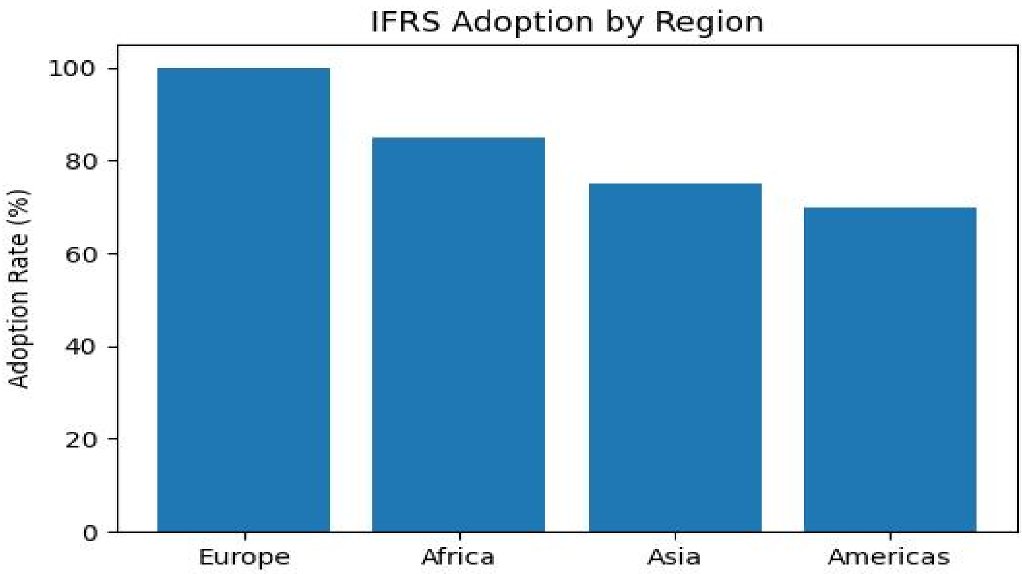
Europe	44	≈100%
Africa	54	≈85%
Asia	48	≈75%
Americas	35	≈70%



4. IFRS for SMEs: Global Coverage

Small and medium-sized enterprises constitute more than 90% of firms worldwide. IFAC reports that 63 out of 128 surveyed countries have adopted IFRS for SMEs [3]. Adoption is particularly common in developing economies, where simplified reporting frameworks reduce compliance costs while maintaining transparency.

Table 2. IFRS for SMEs Adoption (IFAC, 2023)

Category	Countries	Share
Adopted IFRS for SMEs	63	49%
Not adopted	65	51%
Total surveyed	128	100%

5. IFRS Adoption and Foreign Direct Investment

Empirical studies consistently find a positive relationship between IFRS adoption and FDI inflows. Improved transparency and comparability reduce information risk for foreign investors [4]. World Bank and OECD evidence suggests average FDI increases of 7–12% following IFRS adoption.

Table 3. FDI Changes after IFRS Adoption (Selected Countries)

Country	Pre-IFRS FDI Growth	Post-IFRS FDI Growth	Source
Nigeria	2.1%	9.3%	World Bank (2021)
Brazil	3.4%	11.0%	OECD (2020)
Turkey	4.0%	8.5%	MDPI (2022)

6. Country Focus: Uzbekistan

Uzbekistan has initiated a gradual transition toward IFRS, particularly for banks, joint-stock companies, and large taxpayers. According to World Bank assessments, the country demonstrates partial alignment with IFRS requirements, while enforcement and professional capacity remain developing [5]. Compared to Kazakhstan and Turkey, Uzbekistan's implementation pace is moderate but improving.

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Table 4. IFRS Implementation Comparison: Uzbekistan and Selected Countries

Country	IFRS Requirement Scope	Compliance Level	Assessment Source
Uzbekistan	Banks, large taxpayers	Moderate	World Bank
Kazakhstan	Public interest entities	Moderate–High	OECD
Turkey	Listed companies	High	OECD

7. Methodology

This study employs a mixed-method approach combining descriptive statistical analysis and an empirical modeling framework. Secondary data are collected from the World Bank, IFRS Foundation, OECD, and national statistical agencies of Uzbekistan and Kazakhstan. The analysis period covers 2010–2022.

To examine the relationship between IFRS implementation and foreign direct investment, the following empirical model is proposed:

$$FDI\_it = \alpha + \beta 1\ IFRS\_it + \beta 2\ GDP\_it + \beta 3\ INST\_it + \beta 4\ OPEN\_it + \varepsilon\_it$$

where FDI represents foreign direct investment inflows, IFRS is a dummy variable capturing IFRS implementation, GDP denotes economic size, INST represents institutional quality indicators, OPEN measures trade openness, and ε is the error term.

8. Empirical Analysis: Uzbekistan and Kazakhstan

Uzbekistan initiated IFRS reforms gradually, initially focusing on banks, joint-stock companies, and large taxpayers. World Bank assessments classify Uzbekistan’s IFRS compliance as moderate but improving. FDI inflows increased steadily after 2019, coinciding with broader financial and institutional reforms.

Kazakhstan adopted IFRS earlier and more comprehensively, mandating IFRS for public interest entities and listed companies. Stronger regulatory enforcement and professional capacity have contributed to higher compliance levels. Empirical indicators show more stable FDI inflows relative to Uzbekistan.

Comparative analysis suggests that earlier adoption and stronger enforcement enhance the economic benefits of IFRS. However, Uzbekistan’s reform trajectory indicates significant potential for convergence with regional peers.

9. Discussion

The evidence confirms that IFRS adoption alone does not guarantee improved reporting quality. Countries with strong institutions, effective enforcement, and professional capacity benefit most from IFRS. In contrast, jurisdictions with
weak regulatory environments experience limited gains despite formal adoption.

10. Conclusion

This study demonstrates that IFRS-based financial reporting is globally dominant and associated with measurable economic benefits. Statistical evidence supports positive effects on transparency and investment, including in transition economies such as Uzbekistan. Policymakers should prioritize enforcement, professional training, and legal alignment to maximize the benefits of IFRS adoption.

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