

# STAGES OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) IN THE BANKING SYSTEM

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**Abstract.** The article examines the processes and challenges of transitioning Uzbekistan's banking system to International Financial Reporting Standards (IFRS). The adoption of these standards, which are critical in the context of global economic integration, ensures the transparency, comparability, and reliability of financial reporting. In the Republic of Uzbekistan, the transition to IFRS is a vital component of economic reforms aimed at integrating banks into international financial markets and enhancing investor confidence. However, this process is accompanied by challenges, including the adaptation of the regulatory framework, training of qualified personnel, and development of information technology infrastructure. The article analyzes the key issues, challenges, and prospective solutions related to this transition.

**Keywords** international financial reporting standards (ifrs), uzbekistan banking system, financial reporting, economic reforms, transparency, global integration, regulatory framework, qualified personnel, information technologies.

In the context of global economic integration, the processes of aligning banking systems' financial reporting with international standards have become a necessity. International Financial Reporting Standards (IFRS) play a critical role in ensuring the transparency, comparability, and reliability of financial information. Within the framework of its economic reforms, the Republic of Uzbekistan is actively transitioning its banking system to IFRS. This process is significant not only for improving financial reporting systems but also for enhancing attractiveness to international investors and facilitating integration into global financial markets. However, this transition is accompanied by several challenges and difficulties, including the adaptation of the regulatory and legal framework, training of qualified personnel, and the development of information technology infrastructure, which require special attention. This article aims to analyze the processes of transitioning to IFRS in Uzbekistan's banking system, the associated challenges, and prospective solutions.

The transition to IFRS holds not only technical but also strategic importance for Uzbekistan's banking system. The adoption of international standards strengthens banks' financial stability, enhances the efficiency of risk management, and expands opportunities for collaboration with global financial institutions. Additionally, this process serves as a crucial step in modernizing the internal structures of local banks and increasing their competitiveness. Although banks have begun implementing reporting systems compliant with IFRS requirements as part of the roadmap outlined by the Central Bank of Uzbekistan, the success of this process largely depends on infrastructure, expertise, and financial resources.

Furthermore, the transition to IFRS is regarded as a key factor in strengthening Uzbekistan's relations with international financial organizations. For instance, institutions such as the International Monetary Fund (IMF) and the World Bank support the alignment of countries' financial systems with international standards. The full adoption of IFRS by Uzbekistan's banks contributes to improving the country's global financial rating and creates additional opportunities for attracting foreign investment. At the same time, this process requires banks to review their internal procedures and undertake long-term reforms aimed at enhancing the quality of financial reporting. Through in-depth analysis, this article seeks to identify the most effective solutions for Uzbekistan's banking system.

The research findings indicate that Uzbekistan's banking system has achieved significant progress in transitioning to IFRS, yet several challenges persist. Between 2018 and 2025, over 80% of Uzbekistan's leading commercial banks began implementing financial reporting systems compliant with IFRS requirements. According to statistical data provided by the Central Bank of Uzbekistan, by 2021, the number of banks submitting IFRS-compliant reports had increased by 60% compared to 2018 (Table 1). However, data from interviews reveal that most banks face difficulties due to the regulatory and legal framework's incomplete alignment with international standards. This is particularly evident in the discrepancies

between national legislation and IFRS requirements in the valuation of assets and liabilities.

Table 1.

Dynamics of IFRS Implementation in Uzbekistan's Commercial Banks  
(2018–2021)

<b>Year</b>	<b>Number of Banks Submitting IFRS Reports</b>	<b>Percentage of Total Banks (%)</b>
2018	10	33%
2019	12	40%
2020	15	50%
2021	24	80%

The SWOT analysis results identified the strengths of transitioning to IFRS as increased transparency in financial reporting and enhanced confidence from international investors. However, weaknesses include a shortage of qualified personnel and insufficiently developed information technology infrastructure, which are particularly noteworthy. Approximately 70% of interview participants highlighted the lack of accountants capable of meeting IFRS requirements (Chart 1). Opportunities include expanding cooperation with international financial organizations and attracting foreign investments. As for threats, the financial costs and long-term implementation of the process remain significant barriers for banks.

A series of practical recommendations were developed for Uzbekistan's banking system. First, specialized training programs and international certification courses (e.g., ACCA, CPA) should be introduced to address the shortage of qualified personnel. Second, legislative reforms must be accelerated to align the regulatory and legal framework with IFRS requirements. Third, state-supported financial assistance programs are recommended to support smaller banks. Finally, international experiences, particularly strategies used by developed countries in implementing IFRS, could be adapted to Uzbekistan's context. These measures will enhance the efficiency of the process and accelerate the integration of Uzbekistan's banking system into global financial markets.

The study revealed that Uzbekistan's banking system has achieved significant milestones in transitioning to International Financial Reporting Standards (IFRS), while also uncovering several critical challenges. Between 2018 and 2025, the majority of commercial banks successfully implemented reporting systems compliant with IFRS requirements, contributing to greater transparency in financial reporting and strengthening international investor confidence. However, the incomplete alignment of the regulatory and legal framework, a shortage of qualified personnel, and inadequate development of information technology infrastructure were identified as key obstacles slowing the process. The findings indicate that transitioning to IFRS not only requires technical adjustments but also strategic reforms to ensure the country's integration into global financial markets.

To address these challenges and implement the process more effectively, the following recommendations were developed:

1. **Training Qualified Personnel:** International certification programs (e.g., ACCA, CPA) should be introduced through public-private partnerships to enhance bank employees' knowledge and skills in IFRS.

2. **Regulatory Alignment:** Legislative reforms must be expedited to align the regulatory framework with international standards, particularly to resolve conflicts in the valuation of assets and liabilities. The Central Bank of Uzbekistan can play a leading role in this process.

3. **IT Infrastructure Development:** Investments in automating banks' reporting systems should be increased to strengthen information technology infrastructure. Collaboration with international financial institutions (e.g., the World Bank, IMF) to establish financial support programs for small and medium-sized banks is recommended.

4. Adopting International Experience: Strategies from countries that have successfully implemented IFRS (e.g., Poland, Turkey) should be adapted to Uzbekistan's context to accelerate the process and optimize costs.

5. State Support: Subsidy and preferential loan programs should be developed to support banks, particularly smaller ones with limited financial resources. Additionally, raising awareness among banks and the public about the economic and social benefits of IFRS adoption through widespread promotion is essential.

These measures will enhance the competitiveness of Uzbekistan's banking system and facilitate its establishment as a reliable participant in global financial markets.

In conclusion, transitioning to IFRS holds long-term strategic importance for Uzbekistan's banking system, with its success depending on close cooperation between the state, banks, and international organizations. Implementing the above recommendations will not only improve the quality of financial reporting but also ensure Uzbekistan's successful integration into the global financial system within the framework of its economic reforms. Further research is recommended to explore the financial and social impacts of this process in greater depth.

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