

# DEVELOPMENT OF NATIONAL FINANCIAL REPORTING STANDARDS (NFRS) BASED ON IFRS: CONCEPTUAL AND LEGISLATIVE INNOVATIONS IN UZBEKISTAN

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## Abstract

This study examines the development of National Financial Reporting Standards (NFRS) in Uzbekistan as a localized adaptation of International Financial Reporting Standards (IFRS). It analyzes the conceptual foundations, legislative transformations, and institutional challenges associated with embedding IFRS principles into domestic accounting regulation. Using a qualitative doctrinal and comparative approach, the paper evaluates whether NFRS represents substantive convergence or merely formal harmonization. The findings suggest that Uzbekistan is transitioning toward a hybrid accounting model that integrates IFRS-based concepts within national legal frameworks, although significant challenges remain in enforcement, professional capacity, and practical implementation.

**Keywords:** IFRS, NFRS, Uzbekistan, accounting reform, standard-setting, convergence

## 1. Introduction

The globalization of financial markets has intensified the demand for high-quality, comparable financial reporting standards. IFRS has emerged as the dominant global framework, adopted or converged with by over 140 jurisdictions [1]. For transition economies such as Uzbekistan, IFRS adoption is not merely a technical accounting reform but a broader institutional transformation aimed at enhancing transparency, attracting foreign investment, and integrating into global capital markets [2].

Since 2017, Uzbekistan has implemented extensive economic reforms, including significant changes in accounting legislation. A central component of these reforms is the development of National Financial Reporting Standards (NFRS), which are conceptually aligned with IFRS while embedded within domestic legal structures [3].

This paper addresses the following research question:

**To what extent does the development of NFRS in Uzbekistan represent substantive convergence with IFRS, and what are the key conceptual and legislative innovations underpinning this process?**

## 2. Literature Review

### 2.1 IFRS and Global Accounting Convergence

IFRS aims to improve financial reporting quality by emphasizing transparency, comparability, and decision-usefulness [1]. Empirical studies show that IFRS adoption reduces information asymmetry and improves capital market efficiency [4]. However, full convergence is often constrained by national institutional factors, including legal systems and enforcement mechanisms [5].

### 2.2 Transition Economies and Hybrid Models

Transition economies frequently adopt hybrid accounting systems combining IFRS principles with national regulations [6]. These systems reflect the tension between **principle-based IFRS** and historically **rule-based, tax-driven accounting traditions** [7].

### 2.3 Accounting Reforms in Uzbekistan

Recent literature highlights Uzbekistan's gradual transition from National Accounting Standards (NAS) toward IFRS alignment [2], [8]. Earlier systems were characterized by tax orientation and limited disclosure, whereas current reforms emphasize investor-oriented reporting and fair value measurement [9].

#### 2.4 Emergence of NFRS

The development of NFRS marks a new phase in Uzbekistan's accounting reform, focusing on:

- Conceptual alignment with IFRS
- Legal enforceability within national frameworks
- Adaptation for SMEs through simplified standards [3]

Despite these advances, challenges persist in professional training, enforcement, and technological infrastructure [8], [10].

### 3. Methodology

This study employs a **qualitative doctrinal research design**, combining:

- Analysis of legislative documents and policy reforms
- Comparative evaluation of IFRS and NFRS frameworks
- Review of academic and institutional literature

The approach allows for an in-depth assessment of conceptual and legal convergence.

### 4. Results and Discussion

#### 4.1 Conceptual Convergence with IFRS

The analysis indicates that NFRS incorporates core IFRS principles, including:

- Recognition and measurement criteria
- Fair value accounting
- Enhanced disclosure requirements

This reflects a shift from **rule-based accounting to principle-based reporting**, consistent with IFRS philosophy [1].

However, convergence remains **partial**, as certain elements are adapted to local economic and regulatory conditions.

#### 4.2 Legislative Innovations

A key innovation is the **integration of accounting standards into national law**, which strengthens enforceability. Unlike IFRS, which operates as a transnational framework, NFRS is embedded within Uzbekistan's legal system, ensuring compliance through regulatory oversight [3].

Additionally, the introduction of **Public Interest Entities (PIEs)** and differentiated reporting requirements represents a move toward internationally recognized regulatory practices.

#### 4.3 Institutional and Practical Constraints

Despite legislative progress, several constraints limit effective implementation:

##### Human Capital

The shortage of IFRS-qualified professionals remains a critical barrier [8].

##### Enforcement Mechanisms

Regulatory enforcement is uneven, particularly among small and medium-sized enterprises.

##### Technological Infrastructure

Digital accounting systems and ERP integration are still developing, affecting reporting quality and timeliness [10].

### **Cultural and Conceptual Barriers**

Many firms continue to prioritize tax compliance over financial reporting objectives, limiting the practical impact of reforms.

### **4.4 NFRS as a Hybrid Model**

The findings suggest that NFRS represents a **hybrid accounting model**, combining:

- IFRS-based conceptual foundations
- National legal enforcement mechanisms
- Local adaptations for economic context

This model aligns with patterns observed in other transition economies [6], but its long-term effectiveness depends on institutional development.

## **5. Implications**

### **5.1 Theoretical Implications**

The study contributes to the literature on **accounting convergence**, demonstrating that convergence is not binary but occurs along a spectrum from formal adoption to substantive integration.

### **5.2 Policy Implications**

Policymakers should focus on:

- Strengthening enforcement mechanisms
- Expanding professional education and certification
- Enhancing digital infrastructure

### **5.3 Practical Implications**

For firms, successful adoption of NFRS requires:

- Investment in training and systems
- Alignment of accounting practices with IFRS principles
- Transition from tax-driven to investor-oriented reporting

## **6. Conclusion**

Uzbekistan's development of NFRS represents a significant step toward integrating international accounting standards within a national regulatory framework. While substantial progress has been made in conceptual alignment and legislative innovation, the effectiveness of these reforms depends on addressing institutional, professional, and technological challenges.

Future research should focus on **empirical evaluation of NFRS implementation outcomes**, particularly its impact on financial reporting quality and investment flows.

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