

The State of Financial Control under International Practices and its Adaptation in Uzbekistan

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Abstract: Today, the management system is undergoing various reforms, and as a result, the improvement and development of the financial system are receiving separate attention. It is essential that we enhance and develop the financial system to ensure its effective performance. Learning from the positive aspects of financial systems in other countries without adapting their principles and practices to our own national context would be insufficient. For our economy, it is vital to apply these lessons in a way that improves the performance and effectiveness of the financial system in Uzbekistan. The principles used in these countries and their practical applications are significant for domestic adaptation.

Keywords: finance, public finance, financial standards, accounting, and auditing.



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Abstract

The state of financial control plays a key role in ensuring a country's economic stability, the effective use of financial resources, and the prevention of negative events such as corruption. This control system relies on international experiments and practices, but its effectiveness ultimately depends on each country's specific economic and political conditions. While international practices help improve the effectiveness of financial control, Uzbekistan's unique economic, legal, and cultural factors also determine how well such systems perform. This article analyzes the international experience in financial control and explores pathways for adapting these practices to Uzbekistan. Strengthening financial control is of great importance to the national economy, as it is crucial for ensuring sustainable development and ultimately becoming a highly significant profession. Today, many reforms are underway to improve and develop the financial management system in Uzbekistan. Specifically, by order of the Ministry of Finance dated January 11, 2023, recipients of budgetary funds are required to submit, in accordance with Ministry of Finance standards (including territorial financial authorities), quarterly (and annual) reports such as the Balance Sheet (Form No. 1), Performance Evaluation Reports on Expenditures (Form No. 2), information on accounts receivable and payable, as well as reports on commodity reserves and non-financial resources. This reform is aimed at creating a more comfortable investment environment and attracting foreign investors, which is considered one of the key goals driving these reforms. Furthermore, much of the investment attracted into the country comes from foreign

investors, and to facilitate their operations, it is essential to improve the accounting and auditing systems.

Methodology

This article analyzes the state of financial control using systematic and comparative methods, drawing on international experiences as well as documents related to Uzbekistan's financial control system, official statistics, and reports published by national and international organizations. The study conducts an in-depth analysis to identify the effectiveness of international practices and the challenges within Uzbekistan's system, highlighting potential pathways for adaptation.

For effective financial control strategies in Uzbekistan, our research emphasizes the following key components:

- ✓ Analysis of financial markets;
- ✓ Assessment of the banking and credit system status;
- ✓ Evaluation of the efficiency of financial institutions;
- ✓ Regression analysis using econometric models;
- ✓ Indicator-based analysis (including liquidity, profitability, capital levels, etc.);
- ✓ Monte Carlo simulations and risk analysis.

By applying these analytical tools domestically, Uzbekistan can achieve more effective financial control outcomes. Importantly, our study recognizes that the development of Uzbekistan's financial control framework must account for the nation's fiscal potential while drawing on the experiences of foreign countries.

This is because, in developed countries, accounting and auditing systems are shaped by the use of international standards and the wide application of modern techniques and technologies.

In our research, we primarily examined the financial policies of the following countries:

The European Union and the United States;

Japan;

South Korea.

From the U.S. auditing system, we observe that Uzbekistan should further strengthen its audit mechanisms, develop independent audit bodies, and advance the digitalization of audit processes. This is particularly relevant because the U.S. is home to the world's largest stock market, reflecting the strength of its financial control mechanisms.

In the European Union and the U.S., the fundamental principles of financial control are transparency, accountability, and auditing. These countries have well-developed cost control systems and auditing mechanisms designed to prevent corruption through strict oversight. For example, in the U.S., the Government Accountability Office (GAO) conducts comprehensive audits and evaluates the efficiency of public expenditures.

We base our strategies and principles on such models, learning from their concepts and exploring how to apply them to Uzbekistan's financial strategies and implementation practices.

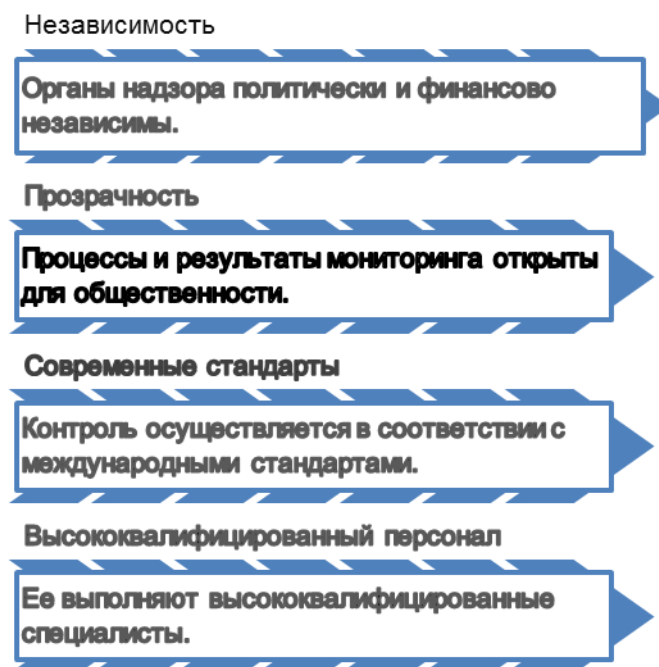
Japan's financial control system is characterized by transparent and open government processes, where every financial operation is subject to external auditing and monitoring. This experience can be valuable for Uzbekistan in ensuring the transparent and efficient use of public funds.

Notably, Japan's high population density and economic scale drive the adoption of advanced technologies to achieve effective financial monitoring.

South Korea's experience shows that automation of cost and revenue control is possible through the use of digital technologies. Electronic audit systems and remote monitoring help the country combat corruption and ensure the efficient allocation of public resources.

International experiments highlight the separate importance of openness and accountability in financial control. In Uzbekistan, it is essential to ensure that all public financial operations are transparently reported and that mechanisms for citizen oversight and public accountability are provided.

In developed countries, the effectiveness of financial control is generally determined by the key factors described above. Therefore, adopting these principles offers a clear path for enhancing financial control in Uzbekistan.



In this country, innovative technologies — such as electronic audit systems and automated reporting — are making financial control increasingly effective, and this also applies to Uzbekistan. Understanding and adapting this experience is important, as the country is seeing widespread development of digitalization and electronic processes.

In Uzbekistan, a number of reforms have been undertaken to improve financial control. Since 2017, the national financial control system has been reorganized, and new legal and regulatory documents have been adopted. However, several problems remain in the system, such as low transparency in public financial control, insufficient audit effectiveness, and weak mechanisms to prevent corruption. The role of auditing in Uzbekistan is expanding, with the establishment of the Chamber of Auditors in 2019 as a state body playing a significant role in financial control. Despite this progress, the auditing system still has weaknesses, including a lack of transparency in audit procedures and the need for broader-scale control.

International experience in financial control offers Uzbekistan a number of useful avenues for making further improvements. In particular, strengthening the audit and monitoring systems, ensuring transparency, and introducing effective mechanisms to prevent corruption will be essential. The following recommendations are proposed for Uzbekistan:

1. Modernize the national system while taking into account the country's unique economic and political conditions.
2. Strengthen auditing processes, improve transparency, and expand the use of innovations.
3. Enhance the effectiveness of financial management and increase the role of financial control in preventing corruption.

Overall, the financial control system plays a critical role in ensuring economic stability and the effective use of resources. Drawing on international practices offers Uzbekistan valuable guidance for making its financial control system more efficient and resilient.

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