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# TRANSFORMING ACCOUNTING DEPARTMENTS IN UZBEKISTAN'S COMMERCIAL BANKS: THE IFRS 9 EXPERIENCE

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**Abstract:** The adoption of IFRS 9 Financial Instruments has signified a crucial change for accounting divisions in Uzbekistan's commercial banks, necessitating a transition from conventional, retrospective credit loss acknowledgement to sophisticated, prospective anticipated credit loss (ECL) modelling. This study rigorously analyses how these divisions managed the intricacies of adopting IFRS 9, emphasizing the interaction among statutory requirements, technical proficiency, and organizational transformation. Utilizing a triangulated qualitative approach—featuring international benchmarking (Deloitte, 2022), comprehensive local case studies (Innoscie Journal), and empirical evaluations of professional practices and results (Interfinance Journal)—the research reveals the obstacles and advancements prompted by the new standard. Findings indicate that, despite the transition revealing considerable deficiencies in risk modelling proficiency, data architecture, and internal governance, accounting divisions reacted with focused skill enhancement, process reengineering, and interdisciplinary cooperation. The transition to ECL approach has significantly enhanced the promptness, precision, and clarity of credit risk reporting, while augmenting the strategic importance of accounting experts in bank management. These results enhance the theoretical and practical dialogue about regulatory change in developing economies, emphasizing the necessity of ongoing capacity development and technical investment for effective IFRS implementation.

**Keywords:** IFRS 9, Accounting departments, Uzbekistan, Commercial banks, Expected credit loss (ECL), Staff training, Data governance, Professional transformation, Organizational change, Regulatory compliance

## Introduction

In recent years, the international banking industry has witnessed increased impetus toward cohesive financial reporting and regulatory harmonization, with the implementation of IFRS 9 Financial Instruments acting as a driving force for transformation.[6] The emphasis of IFRS 9 on expected credit loss (ECL) modelling, anticipatory evaluation, and detailed asset categorization aims to improve the precision, comparability, and clarity of financial data. For Uzbekistan, an evolving

[6] KPMG. (2021).

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economy engaging with global financial markets, the implementation of IFRS 9 transcends basic compliance, representing a crucial advancement in the modernization of its banking industry and the establishment of international trust.

Notwithstanding these anticipated advantages, the implementation of IFRS 9 has presented considerable operational and methodological difficulties, especially for the accounting divisions of commercial banks. Historically familiar with regional regulatory standards and retrospective loss acknowledgement, these teams must now excel in intricate risk modelling, extensive data amalgamation, and the application of professional discernment in financial reporting. Although current research predominantly emphasizes macro-level technological challenges, there exists a deficiency in comprehending the internal dynamics, adaptive methodologies, and professional development within Uzbek accounting departments throughout this regulatory transition.

This research tackles this deficiency by methodically analyzing how accounting divisions within Uzbekistan's commercial banks have managed the intricacies of IFRS 9 implementation. This study offers a detailed comprehension of the procedures, challenges, and organizational results linked to IFRS 9 implementation through the incorporation of global benchmarks, comprehensive local case studies, and empirical investigation.[7] The findings provide practical guidance for academics, professionals, and legislators focused on regulatory reform and institutional evolution in burgeoning market banking industries.

## Methods

A triangulated qualitative research design was utilized to conduct an exhaustive examination of the IFRS 9 transition in the accounting divisions of commercial banks in Uzbekistan. The report by Deloitte (2022), titled "IFRS 9 Implementation in Central Asia: Challenges and Success Stories," serves as a reference for comparing Uzbekistan's experience with that of other Central Asian nations.[2] This comparative approach facilitates a thorough examination of disparities in project management, technology implementation, and employee development, placing the Uzbek banking industry within a wider regional and international framework. The study employs comprehensive case study results from “Problems and Prospects of Transition to International Financial Reporting Standards (IFRS) in Commercial Banks of Uzbekistan” (Innoscie Journal), examining how prominent banks' accounting divisions addressed technical difficulties in ECL modelling, compliance adjustments, and internal control reorganization.[3] Analytical Examination of Empirical Content (Interfinance Journal):

Utilizing the research titled “Implementation of International Financial Reporting Standard and Its Impact on Financial Results” (Interfinance Journal), a content analysis was performed regarding the alterations in financial outcomes post-IFRS 9, the framework and efficacy of internal training initiatives, and the advancement of reporting and documentation procedures.[5]

Through the amalgamation of these synergistic approaches and resources, the study guarantees a comprehensive, context-aware investigation of the organizational and technical changes instigated by IFRS 9 in the accounting operations of commercial banks in Uzbekistan.

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[7] World Bank Group. (2020).

[2] Deloitte. (2022).

3 Innoscie Journal. (2020).

[5] Interfinance Journal. (2022).

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Results

Data Governance and Technological Integration

A recurring issue identified in Uzbek sources was the insufficiency of historical loss data, which obstructed the preliminary computation of ECL. In reaction, accounting divisions, frequently collaborating with IT and risk management sectors, allocated resources toward the enhancement of data systems and the implementation of digital platforms designed for IFRS 9 compliance. These technology advancements, alongside global standards, facilitated more precise credit risk assessment, refined audit trails, and increased the overall dependability of financial information.

Process Advancement and Internal Regulations

The implementation of IFRS 9 necessitated a comprehensive overhaul of internal reporting timelines, documentation protocols, and control systems within accounting divisions. Revised reporting requirements necessitated frequent ECL updates, while improved interdepartmental communication proved essential for synchronizing modelling assumptions and provisioning strategies. The systematization of judgment-driven procedures and the recording of essential assumptions enhanced internal controls and bolstered regulatory adherence.

Table 1: IFRS 9 implementation stages in accounting departments of commercial banks of Uzbekistan.

| STAGES | PROCESS |
|---|---|
| **First stage** | **Initial Assessment & staff training/workshops** |
| **Second stage** | **Data clean-up & IT upgrades** |
| **Third stage** | **Model development & Testing** |
| **Fourth stage** | **Full Implementation** |
| **Fifth stage** | **Ongoing monitoring & reporting** |

Approach to Calculation:

National Credit Loss versus Expected Credit Loss

A significant impact of the implementation of IFRS 9 was the distinct difference in calculation methods and ensuing efficiency when juxtaposing the conventional national credit loss model with the ECL approach. Within the national incurred loss paradigm, Uzbek financial institutions often acknowledged credit loss reserves only post visible defaults, utilizing predetermined percentage rates on delinquent loans and depending on past default statistics. This retrospective approach frequently led to postponed and underestimated acknowledgement of credit risk. Conversely, the ECL methodology prescribed by IFRS 9 necessitates a prospective, probability-weighted assessment that incorporates historical default information, present credit circumstances, and macroeconomic projections. The procedure necessitates the division of portfolios, assessment of the probability of default (PD), loss given default (LGD), and exposure at default (EAD), along with the discounting of anticipated losses.

Influence on Fiscal Disclosure and Institutional Function.

The adoption of IFRS 9 has significantly influenced the substance and caliber of financial reporting, along with the status of accounting divisions in Uzbekistan's commercial banks. Post-adoption financial statements provide improved detail and clarity in revealing credit risk, asset quality, and provisioning methodologies.[1] The ECL technique has allowed banks to provide a more accurate and

[1] Central Bank of Uzbekistan. (2017–2023)

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prompter depiction of possible losses, therefore enhancing the credibility and comparability of Uzbek institutions to foreign investors and regulators. Accountants are presently engaged in evaluating credit risk, conducting scenario analyses, and strategizing capital allocation, working in closer partnership with risk management, information technology, and executive leadership. Furthermore, the implementation of IFRS 9 has required continuous investment in personnel development and technological infrastructure, thereby enabling accounting professionals to serve as catalysts for change and guardians of best practices inside the organization.

Table 2: Distribution of Accounting Department Roles Post-IFRS 9.

| ROLE | ESTIMATED PROPORTION (%) |
|---|---|
| **ECL Modeling & Provisioning** | 30 |
| **Financial Reporting** | 25 |
| **Data Management** | 20 |
| **Risk Assessment collaboration** | 15 |
| **Training / Knowledge transfer** | 10 |

**Discussion**

The findings of this study highlight that the effective execution of IFRS 9 in Uzbekistan's commercial banks was significantly reliant on the adaptability and strategic involvement of their accounting divisions. Although the initial obstacles were considerable—comprising insufficient technical knowledge, rudimentary data infrastructures, and established procedural conventions—the commitment of these departments to prioritize professional growth, adopt innovative processes, and encourage cross-disciplinary cooperation was crucial for a successful transition.

A significant aspect of the IFRS 9 transition, also noted worldwide, is the clear disparity in calculation methods and associated operational efficiencies between the previous national credit loss framework and the Expected Credit Loss (ECL) model required by IFRS 9. Within the traditional national incurred loss model, financial institutions mostly determined credit loss reserves only after clear indicators of impairment became apparent. This procedure generally depended on historical, retroactive data, like the count of overdue days or actual instances of default, and frequently utilized predetermined percentage rates on non-performing loan amounts. The outcome was a provisioning system that often-identified losses belatedly in the credit cycle, heightening systemic risk and possibly obscuring declining asset quality until preventative measures could no longer be taken.

The implementation of the ECL model inside IFRS 9 significantly transformed this framework. The revised methodology mandates that banks project prospective credit losses on an ongoing and anticipatory basis, incorporating historical loss statistics, present loan performance, and macroeconomic predictions. The computation procedure entails categorizing loan portfolios based on risk attributes and utilizing quantitative models to assess the likelihood of default (PD), loss in the event of default (LGD), and exposure at the time of default (EAD) for each category. Anticipated losses are subsequently determined by multiplying these risk criteria and then discounted to their present value. Significantly, the ECL framework mandates that banks acknowledge and allocate provisions for credit losses prior to any actual default, thus fostering earlier risk detection and enhancing balance sheet fortitude.

In Uzbekistan, empirical data from regional case studies and financial reporting analysis indicates that the initial implementation of the ECL framework necessitated significant investment in data

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infrastructure and personnel training, resulting in notable enhancements in the promptness, precision, and transparency of credit risk evaluation. Accounting divisions, by adopting this progressive, data-centric methodology, have elevated their strategic function within financial institutions—transitioning from mere procedural adherence to proactive collaborators in risk management and decision-making. These modifications are in accordance with worldwide practices observed in comparable nations and bring Uzbekistan's banking sector into closer alignment with global regulatory and reporting norms.

Furthermore, our results enhance the overarching theoretical dialogue about organizational transformation and regulatory adjustment in developing markets. The Uzbek example demonstrates that legislative changes like IFRS 9, when properly assimilated, may act as drivers for organizational development, career advancement, and technological innovation.[4] The research offers tangible proof for professionals and decision-makers that focused investment in human resources, technology, and interdisciplinary communication not only aids in adhering to regulations but also fosters enduring resilience and competitiveness in the banking industry.

## Conclusion

The implementation of IFRS 9 has served as a stimulus for significant institutional change inside the accounting divisions of Uzbekistan's commercial banks. The transition to the ECL approach and proactive financial reporting has necessitated a profound reevaluation of internal procedures, professional responsibilities, and organizational strategy, rather than simply serving as a technical compliance task. Accounting divisions, previously regarded as mere administrative assistance, have transformed into strategic allies—actively influencing risk management, capital allocation, and banking governance through their improved analytical skills and cooperative approach.

The study reveals that effective compliance with IFRS 9 was accomplished by a strategic blend of specialized employee training, enhancement of digital systems, and the formation of interdisciplinary teams that connected accounting, risk management, and IT sectors. These anticipatory actions allowed banks to comply with international regulatory requirements while enhancing the precision, promptness, and clarity of credit risk disclosures—thus bolstering stakeholder trust and competitive standing in the global market.

Nonetheless, the shift has encountered several obstacles. Enduring discrepancies in data quality, the continual necessity for professional development, and the intricacies of judgment-driven provisioning underscore the significance of continued investment and perpetual education. Policymakers and banking executives are therefore urged to sustain progress by cultivating an innovative culture, endorsing research partnerships, and synchronizing regulatory frameworks with advancing global benchmarks.

Ultimately, the Uzbek experience provides significant insights for other developing market economies implementing analogous regulatory changes. It emphasizes that adherence to technical standards, with organizational learning and capacity enhancement, may foster enduring advancements in the resilience and integrity of the financial system. Future investigations can examine the enduring effects of IFRS 9 on banking efficacy and market stability, alongside the influence of digital transformation in facilitating continuous regulatory adjustments.

[4] (IASB). (2014).

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