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ENHANCING THE ROLE OF BUSINESS VALUATION STANDARDS AND CORPORATE REPORTING IN ATTRACTING FOREIGN DIRECT INVESTMENT IN UZBEKISTAN

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Abstract. This study examines the role of business valuation standards and corporate reporting in attracting foreign direct investment (FDI) to Uzbekistan. It explores how valuation reliability, financial transparency, international accounting standards, and corporate governance influence investor confidence and investment decisions. The research combines institutional analysis, comparative assessment, and descriptive analysis of official investment statistics and Uzbekistan's legal framework. The findings indicate that improving the comparability of financial statements, the credibility of enterprise valuations, and the disclosure of material risks can reduce information asymmetry and strengthen the investment attractiveness of domestic businesses. The article proposes an integrated approach connecting internationally aligned valuation practices, IFRS-based reporting, independent assurance, and corporate governance reforms.
Keywords: foreign direct investment, business valuation, corporate reporting, IFRS, investment attractiveness, financial transparency, corporate governance, Uzbekistan.

Аннотация. В статье исследуется роль стандартов оценки бизнеса и корпоративной отчетности в привлечении прямых иностранных инвестиций в Узбекистан. Рассматривается влияние достоверности оценки, финансовой прозрачности, международных стандартов финансовой отчетности и корпоративного управления на доверие инвесторов. На основе анализа официальной статистики, национального законодательства и научных подходов обосновывается необходимость интеграции международных стандартов оценки, отчетности по МСФО, независимого аудита и раскрытия существенных рисков для повышения инвестиционной привлекательности предприятий.
Ключевые слова: прямые иностранные инвестиции, оценка бизнеса, корпоративная отчетность, МСФО, инвестиционная привлекательность, финансовая прозрачность, корпоративное управление, Узбекистан.

Annotatsiya. Maqolada O'zbekistonga to'g'ridan-to'g'ri xorijiy investitsiyalarni jalb etishda biznesni baholash standartlari va korporativ hisobotlarning o'rni tadqiq etiladi. Baholash ishonchliligi, moliyaviy shaffoflik, xalqaro moliyaviy hisobot standartlari va korporativ boshqaruvning investorlar ishonchiga ta'siri tahlil qilinadi. Rasmiy statistika, milliy qonunchilik va ilmiy yondashuvlar asosida xalqaro baholash standartlari, MHXS, mustaqil audit hamda muhim xatarlarni oshkor etish amaliyotlarini integratsiyalash zarurligi asoslanadi.

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Kalit so‘zlar: to‘g‘ridan-to‘g‘ri xorijiy investitsiyalar, biznes qiymatini baholash, korporativ hisobot, MHXS, investitsion jozibadorlik, moliyaviy shaffoflik, korporativ boshqaruv, O‘zbekiston.

Introduction

Foreign direct investment has become a major instrument for accelerating structural transformation, transferring technology, improving productivity, and integrating national enterprises into international value chains. For emerging economies, the ability to attract foreign capital depends not only on macroeconomic stability, market size, infrastructure, and investment incentives, but also on the quality of information available to investors when they evaluate individual businesses. Reliable business valuation and transparent corporate reporting are therefore important institutional conditions for converting investment opportunities into actual capital commitments.

In Uzbekistan, these issues have become increasingly significant as the economy expands its international commercial relationships and implements reforms aimed at improving the business environment. Foreign investors entering a new market must assess the expected profitability of an enterprise, the reliability of its reported assets and liabilities, the quality of management, the enforceability of shareholder rights, and the risks associated with future cash flows. If financial statements are inconsistent, ownership information is incomplete, or valuation assumptions are inadequately documented, investors may find it difficult to distinguish commercially viable enterprises from businesses whose reported performance overstates their economic potential.

Official international statistics demonstrate the growing relevance of this subject. According to the United Nations Conference on Trade and Development, Uzbekistan’s inward foreign direct investment flows reached approximately USD 2.836 billion in 2024, compared with USD 2.156 billion in 2023, representing an increase of 31.5%. The same dataset indicates that inward FDI amounted to USD 2.498 billion in 2022 and USD 2.275 billion in 2021.

These figures indicate a recovery in international investment flows, although they do not establish that improvements in valuation or reporting alone caused the increase. It is important to distinguish international balance-of-payments FDI flows from the broader national measure of foreign investment and loans directed towards fixed capital. The two indicators cover different transactions and should not be treated as interchangeable. Uzbekistan’s official investment statistics report that total foreign investment and loans attracted in 2025 amounted to USD 43.1 billion, while USD 19.1 billion of FDI was directed towards fixed capital. These figures illustrate the scale of the investment environment but represent a broader administrative and investment-project perspective than UNCTAD’s balance-of-payments measure.

Against this background, the central research problem is how Uzbekistan can strengthen the reliability, comparability, and practical usefulness of business valuation and corporate reporting so that domestic enterprises become more understandable and attractive to international investors. Business valuation is not merely a technical exercise in calculating a monetary amount. It establishes a structured relationship between the enterprise’s resources, expected earnings, competitive position, risk profile, and future economic benefits. Corporate reporting complements valuation by providing evidence about the enterprise’s financial position and performance. When these systems are weak or disconnected, the investor may be unable to determine whether a proposed transaction price reflects sustainable economic value.

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The research objective is to examine the institutional and methodological relationship between business valuation standards, corporate reporting, and the attraction of foreign direct investment in Uzbekistan, and to develop recommendations for improving their integration. The study addresses three interrelated questions: how valuation standards influence investor confidence; how corporate reporting quality affects the assessment of enterprise value; and which regulatory, methodological, and institutional measures could strengthen Uzbekistan's capacity to attract long-term foreign investment. The article contributes to this discussion by considering valuation and reporting as complementary mechanisms of investment transparency rather than as isolated accounting or financial functions. Its practical relevance lies in the development of an integrated framework applicable to joint-stock companies, privately owned enterprises, businesses preparing for strategic partnerships, and firms seeking cross-border investment.

Literature Review

The theoretical foundation of the study combines information asymmetry theory, agency theory, investment valuation theory, and institutional approaches to financial-market development. Information asymmetry arises when company managers possess more detailed knowledge about operational performance, liabilities, commercial opportunities, and risks than potential investors. A foreign investor entering Uzbekistan may face additional informational disadvantages because of differences in language, accounting practices, legal interpretation, business customs, and access to reliable market data. These disadvantages increase due-diligence costs and make it more difficult to compare investment opportunities across jurisdictions. Corporate reporting can reduce this asymmetry by providing consistent financial information, explanations of accounting policies, disclosures of related-party transactions, and evidence concerning the enterprise's financial obligations. However, disclosure is useful only when the information is sufficiently reliable, timely, comparable, and understandable. A large volume of financial information does not necessarily produce transparency if essential risks remain concealed or accounting classifications are inconsistent.

Agency theory provides a complementary explanation. Managers may possess incentives to present financial performance in a favorable manner, especially when their remuneration, reputation, or control over the company depends on reported profitability. Investors consequently require credible monitoring mechanisms, including independent audit, supervisory-board oversight, internal controls, and enforceable disclosure obligations. These mechanisms can limit opportunities for earnings manipulation and improve confidence in reported results. The theoretical relationship between reporting quality and capital allocation is especially important when investors consider minority shareholdings or joint ventures. A foreign investor may not exercise direct control over every operational decision. In such circumstances, dependable reporting and transparent governance help reduce the risk that the enterprise's resources will be used in ways inconsistent with the investor's interests.

Uzbek scholarly and institutional work on investment development, financial management, accounting, and enterprise efficiency provides a relevant domestic context. For example, Abdullaev's work on investment activity and national economic development, together with the methodological contributions of local researchers in accounting and financial analysis, reflects the importance of linking enterprise-level financial performance to broader economic development. For an academically submitted article, bibliographic details of Uzbekistan-specific scholarly publications should be verified against the original editions rather than inferred from secondary references.

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Methods

The study uses a qualitative and descriptive analytical design based on institutional, legal, and statistical evidence. It does not claim to establish a causal econometric relationship between the adoption of valuation standards and FDI inflows. Instead, it examines the mechanisms through which valuation reliability and reporting quality may influence investment decisions.

Results

The statistical evidence indicates that Uzbekistan has experienced a substantial expansion in foreign investment activity, although annual FDI flows have not followed a uniform upward trajectory. UNCTAD data show that inward FDI increased from USD 2.275 billion in 2021 to USD 2.498 billion in 2022, declined to USD 2.156 billion in 2023, and rose to USD 2.836 billion in 2024. The increase between 2023 and 2024 was approximately 31.5%.

These movements illustrate why investment policy should focus not only on attracting new capital but also on improving the institutional conditions under which foreign investors evaluate and select domestic enterprises. Changes in FDI flows can reflect large infrastructure transactions, reinvested earnings, cross-border financing conditions, privatization, sectoral developments, and geopolitical factors. Therefore, the observed increase should not be attributed exclusively to financial-reporting reforms. The national statistics provide additional evidence of the growing scale of investment activity. In January–June 2024, foreign investment and loans directed towards fixed capital amounted to UZS 156.7 trillion. This measure includes financing categories that differ from the international balance-of-payments definition of FDI.

The distinction has practical significance for investment research. An increase in foreign-funded fixed assets may demonstrate expanding productive capacity without necessarily indicating a proportional increase in equity investment into privately owned enterprises. Similarly, a country may attract large infrastructure projects while smaller domestic companies continue to face difficulties in demonstrating their financial reliability to prospective foreign shareholders. Consequently, aggregate investment growth should be complemented by indicators of enterprise-level investment readiness, including the proportion of businesses using internationally comparable financial statements, the coverage of independent audits, the availability of documented valuations, and the transparency of ownership structures.

The analysis identifies valuation consistency as an important factor in negotiations between foreign investors and domestic business owners. A valuation report prepared using clearly defined assumptions, documented financial information, and a recognized methodology enables both parties to distinguish the enterprise's underlying economic value from the asking price proposed by its owners. For example, a manufacturing company may own significant property and equipment but generate unstable operating cash flows. An asset-based assessment may indicate substantial value, while a discounted cash flow analysis may produce a lower estimate because of weak profitability, outdated technology, or high future capital expenditure. The difference does not necessarily mean that either method is incorrect. Rather, it reflects the fact that enterprise value depends on the purpose of the valuation, the expected economic benefits, and the risks associated with realizing them.

The use of recognized valuation standards can make these differences more transparent. A credible valuation assignment should specify the purpose of the valuation, the applicable basis of value, the valuation date, the information relied upon, the methods selected, the material assumptions, and the principal limitations. It should also explain why alternative methods were not selected or were

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given less weight. For Uzbekistan, this approach is particularly relevant to privatization transactions, mergers and acquisitions, joint ventures, capital injections, and the admission of strategic investors. In such transactions, the valuation may influence the percentage of equity transferred, the allocation of control rights, the price paid for a shareholding, and the distribution of future economic benefits.

A further issue concerns the treatment of intangible assets. Enterprises may possess valuable customer relationships, trademarks, software, distribution networks, proprietary processes, and specialized human capital. Some of these resources may not be fully reflected in conventional balance-sheet measures. Investors therefore require additional analysis to determine whether such resources generate sustainable cash flows and whether the company has enforceable rights over them. The results suggest that internationally aligned valuation practices can improve the quality of investment negotiations when they are accompanied by reliable data and professional independence. Standardization alone, however, cannot eliminate estimation uncertainty or guarantee that the final transaction price will equal the reported valuation.

Corporate reporting plays a complementary role by providing the historical and current financial evidence required to evaluate an enterprise. A potential investor generally needs to examine revenue composition, operating margins, cash generation, working capital, capital expenditure, borrowing costs, debt maturity, tax obligations, and contingent liabilities. The usefulness of these indicators depends on their consistency over time. For instance, a company reporting rapid revenue growth may appear attractive, but the investment case becomes weaker if receivables increase disproportionately, operating cash flow remains negative, or revenue depends heavily on transactions with related parties. A transparent report should enable investors to identify these relationships rather than merely observe the growth in reported turnover.

IFRS-based financial statements can improve comparability by establishing a common framework for recognition, measurement, presentation, and disclosure. The framework is especially relevant to foreign investors comparing Uzbek enterprises with potential targets in other jurisdictions. Nevertheless, accounting standards do not eliminate all differences in judgment. Estimates of impairment, provisions, useful lives, fair values, and expected credit losses can still vary according to assumptions and the quality of supporting evidence. The study also identifies a distinction between formal compliance and substantive transparency. An enterprise may prepare financial statements under the required accounting framework while providing insufficient explanations of its business model, revenue concentration, liquidity risks, related-party transactions, or exposure to foreign exchange movements. Such omissions can limit the information available for valuation and investment decisions.

An effective reporting system should therefore combine financial statements with explanatory disclosures, management analysis, ownership information, and relevant governance information. Timely publication is equally important because information that becomes available only after investment negotiations have progressed may have limited practical value.

Table 1

Relationship between valuation standards, corporate reporting, and foreign investment attractiveness in Uzbekistan[1]

[1] Author's work

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Analytical dimension	Existing institutional basis	Main challenge	Expected investment-related contribution
Business valuation	National valuation regulation and internationally recognized valuation methodologies	Inconsistent assumptions, limited comparable transactions, and insufficient documentation	More defensible transaction prices and improved negotiation quality
Financial reporting	National accounting legislation and IFRS implementation for specified entities	Uneven reporting capabilities and differences in disclosure quality	Greater comparability of financial performance and financial position
Independent assurance	Audit and applicable financial-reporting requirements	Differences in audit coverage, independence, and practical effectiveness	Greater credibility of financial information and lower information risk
Corporate governance	Corporate governance legislation and the Corporate Governance Code	Potential weaknesses in oversight, related-party controls, and shareholder communication	Improved accountability and protection of investor interests
Digital disclosure	Electronic reporting and digital information systems	Fragmented access to enterprise-level financial information	Lower due-diligence costs and faster investor assessment
Investment readiness	Investment legislation and institutional investment-promotion mechanisms	Limited integration of valuation, reporting, and risk disclosures	Stronger capacity to attract strategic investors and long-term capital

The table demonstrates that no single reform is sufficient to ensure high investment attractiveness. Valuation methods are more useful when supported by reliable reporting, while reporting becomes more informative when investors can connect financial performance with the economic value of the business. Independent assurance and governance arrangements reinforce both processes. The findings further indicate that enterprises should not be evaluated exclusively on the basis of profitability or asset size. The quality of information, consistency of financial policies, and ability to substantiate forecasts can be equally important when an investor must commit capital under uncertainty.

Discussion

The principal economic mechanism linking reporting quality to foreign investment is the effect of information risk on the return required by investors. Investors generally demand compensation for

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bearing commercial, financial, regulatory, and informational risks. When reliable information is scarce, they may increase the required rate of return, reduce the amount they are willing to invest, request stronger contractual protections, or abandon a transaction altogether.

The Law of the Republic of Uzbekistan No. O'RQ-598 of 25 December 2019, On Investments and Investment Activity, provides an important legal foundation for investment relations. Its principles include legality, openness and transparency, freedom of investment activity, fairness, and non-discrimination. The law also establishes a framework for investment rights, obligations, and the regulation of investment activity. These principles create a strong policy rationale for improving the quality of information available to investors. Nevertheless, legal protection and financial transparency perform different functions. Legal guarantees address the rights and treatment of investors, whereas reliable valuation and reporting enable investors to determine whether a specific enterprise represents an economically attractive opportunity. The Law of the Republic of Uzbekistan On Accounting and the applicable requirements for financial reporting provide another important institutional foundation. Presidential Resolution No. PP-4611 of 24 February 2020 strengthened the transition towards IFRS for specified categories of entities.

The next stage of reform should emphasize implementation quality. Formal adoption is only the beginning of the process. Enterprises need appropriately trained accountants, consistent accounting policies, reliable digital systems, internal controls, and access to qualified auditors. Regulators and professional institutions also need the capacity to identify persistent non-compliance and improve the practical quality of disclosures. Business valuation should be connected to these reporting reforms without confusing their respective functions. Financial reporting measures and communicates financial information under applicable accounting standards; valuation estimates economic value for a particular purpose and valuation date. Accounting carrying amounts are not automatically equivalent to market value, and a valuation report should not be treated as a substitute for audited financial statements.

This distinction becomes especially important when businesses seek strategic investment. The investor needs both a reliable picture of the company's financial position and an independent assessment of what the business may be worth under specified assumptions. Corporate governance determines how an enterprise is directed, monitored, and held accountable. It affects the credibility of reporting because financial information is produced within an organizational system whose incentives and controls influence its quality. Uzbekistan's Corporate Governance Code for joint-stock companies provides recommendations intended to encourage transparent and responsible business conduct. Its recommended nature means that implementation should be assessed in accordance with the relevant company's legal obligations and actual governance practices, rather than assuming that every recommendation is universally mandatory.

For foreign investors, the effectiveness of governance arrangements may be particularly important where the investor holds a minority interest. Access to financial information, procedures for approving related-party transactions, the independence of supervisory oversight, and the protection of shareholder rights can affect the willingness to invest. An enterprise may report strong profits but still be unattractive if ownership is opaque, decision-making is excessively concentrated, or significant transactions cannot be independently reviewed. Conversely, transparent governance can strengthen confidence by demonstrating that financial resources are managed within an accountable institutional framework.

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Companies seeking foreign investment should therefore establish clear procedures for preparing and approving financial statements, documenting material transactions, disclosing conflicts of interest, monitoring financial risks, and communicating with shareholders. Independent audit should be supported by effective audit committees or equivalent oversight arrangements where appropriate. Governance improvements can also enhance the credibility of valuations. When management forecasts are reviewed through documented procedures and material assumptions can be traced to reliable evidence, investors have a stronger basis for assessing whether projected returns are realistic.

The benefits of high-quality valuation and reporting are not limited to large joint-stock companies. Small and medium-sized enterprises may have significant growth potential but lack the financial documentation and governance structures expected by international investors. Smaller businesses often operate with limited accounting personnel, informal management systems, concentrated ownership, and incomplete historical financial records. Their financial statements may not consistently distinguish business expenditure from owners' personal transactions. Such weaknesses complicate the estimation of normalized earnings, working capital requirements, and sustainable cash flows. Requiring every small enterprise to adopt the most resource-intensive reporting and valuation arrangements immediately could create disproportionate compliance costs. A more effective approach would be proportionate implementation based on company size, transaction complexity, financing needs, and public accountability.

For enterprises preparing for foreign investment, a structured investment-readiness process could include the reconstruction of reliable historical financial information, reconciliation of tax and accounting records, identification of contingent liabilities, documentation of ownership and intellectual property, and preparation of a financial forecast supported by explicit assumptions. An independent valuation can then be undertaken using a methodology appropriate to the enterprise's development stage and available evidence. For businesses with limited operating histories, scenario analysis may be more informative than presenting a single point estimate without sufficient qualification. The government and professional institutions could support this process through standardized reporting templates, practical training, digital accounting solutions, and guidance on valuation documentation. Such measures would be especially useful for enterprises seeking strategic partnerships, export-market expansion, or private equity financing.

Digital reporting infrastructure offers opportunities to reduce the cost of collecting, validating, and comparing enterprise information. Electronic submission systems can improve consistency, while standardized data formats can facilitate financial analysis and reduce manual processing. However, digitalization does not automatically improve the substance of financial information. If source records are incomplete or accounting classifications are incorrect, automation may reproduce errors more efficiently rather than eliminate them. A more comprehensive digital disclosure framework should therefore combine standardized reporting fields with appropriate validation procedures, clear responsibility for submitted information, secure access controls, and mechanisms for correcting errors. Public access must be balanced against legitimate commercial confidentiality and applicable personal-data protection requirements.

For investment-promotion purposes, a structured digital information environment could make it easier for potential investors to identify businesses that are prepared for international transactions. Subject to legal permissions and confidentiality safeguards, enterprises could provide standardized financial summaries, audit status, ownership information, valuation dates, and descriptions of material

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business risks. Such a framework should not be interpreted as a recommendation to publish every commercially sensitive document. Instead, it should distinguish between information that must be publicly disclosed, information that may be shared with authorized parties, and information that requires confidentiality protection during due diligence.

The analysis supports an integrated reform approach focused on implementation rather than the formal adoption of standards alone.

First, Uzbekistan should strengthen the practical application of internationally recognized valuation principles. Professional guidance should emphasize the definition of the valuation purpose, selection of the appropriate basis of value, transparency of assumptions, documentation of data sources, sensitivity analysis, and disclosure of material limitations. Quality assurance and professional development should accompany these measures.

Second, corporate reporting reforms should prioritize the reliability and comparability of information. This includes improving the implementation of IFRS among entities subject to its requirements, strengthening internal controls, and promoting timely disclosure of material financial and governance information. Requirements should remain proportionate to the size and public accountability of the enterprise.

Third, independent assurance should be strengthened through effective audit oversight, professional competence, and safeguards for auditor independence. The mere existence of an audit opinion should not be interpreted as a guarantee of business value or future profitability. Investors must still evaluate business risks and the assumptions used in valuation.

Fourth, corporate governance practices should support meaningful shareholder communication and accountability. Enterprises seeking external capital should document related-party transactions, clarify decision-making responsibilities, and establish procedures for reviewing material financial decisions.

Fifth, Uzbekistan should develop investment-readiness support for smaller enterprises. Standardized financial templates, valuation guidance, digital bookkeeping support, and professional advisory services could help promising businesses prepare for negotiations with international investors without imposing unnecessary compliance burdens.

Finally, the effectiveness of these measures should be monitored using measurable indicators. Relevant indicators include the proportion of eligible enterprises publishing IFRS-compliant statements, audit coverage among target company groups, the timeliness of financial disclosures, the number of enterprises with documented independent valuations, and investor feedback concerning the accessibility and reliability of corporate information. Over time, these indicators could be compared with transaction activity and investment outcomes, while accounting for sectoral and macroeconomic differences.

Conclusion

The study demonstrates that business valuation standards and corporate reporting are complementary institutional mechanisms for improving Uzbekistan's attractiveness to foreign direct investment. Valuation establishes a structured estimate of economic value, while corporate reporting provides the financial evidence required to support that estimate. Independent assurance, effective governance, and transparent disclosure reinforce the credibility of both processes. Official statistics indicate that Uzbekistan's inward FDI flows increased from USD 2.156 billion in 2023 to USD 2.836 billion in 2024, a rise of 31.5%. At the same time, broader national measures demonstrate the

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substantial scale of foreign investment and loan financing directed towards productive assets. These developments create opportunities for enterprises to strengthen their participation in international investment transactions, but aggregate investment growth alone does not establish that enterprise-level reporting quality is sufficient.

The main institutional challenge is to translate the formal adoption of standards into consistent, verifiable, and decision-useful information. This requires competent valuation professionals, reliable accounting systems, appropriate implementation of IFRS, independent assurance, and corporate governance arrangements that support accountability. The study's principal contribution is an integrated perspective in which valuation, reporting, audit, and governance are treated as interconnected components of investment readiness. Rather than viewing valuation as a one-time calculation or reporting as a regulatory formality, enterprises should treat both as continuing mechanisms for communicating economic performance and risk.

The analysis is conceptual and descriptive; it does not quantify the causal impact of reporting reforms on FDI inflows. Further empirical research could examine whether enterprises with audited IFRS-based statements, independent valuations, and stronger governance arrangements attract more foreign equity investment or obtain more favorable financing terms than comparable enterprises without these characteristics. Overall, improving the credibility of business valuation and corporate reporting can help Uzbekistan reduce avoidable information barriers, facilitate more informed investment negotiations, and strengthen the foundations for sustainable foreign capital formation.

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