

THE ROLE OF FINANCIAL GLOBALIZATION IN THE DEVELOPMENT OF SMALL AND MEDIUM ENTREPRENEURSHIP IN UZBEKISTAN: PERSPECTIVE AND APPLIED SOLUTIONS FOR THEIR TRANSITION TO IFRS

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ABSTRACT

The research is devoted to establishing the prospects and developing applied solutions for a more widespread transition of small and medium-sized enterprises in Uzbekistan to IFRS to maximize the benefits of financial globalization. The dynamics of financial globalization and the role of small and medium-sized enterprises (SMEs) in the entrepreneurial structure of Uzbekistan from 2010 to 2025 are analyzed using horizontal and trend analysis methods. The research identifies a steady increase in the level of financial globalization and the active growth of small and medium-sized entrepreneurship in Uzbekistan. Based on a sample of ten countries, including Uzbekistan, with the highest projected SME development levels in 2025, the authors developed a model of financial globalization for SMEs adopting International Financial Reporting Standards (IFRS). The authors propose several recommendations to facilitate a broader transition of Uzbek SMEs to IFRS and maximize the benefits of financial globalization. These include reducing clustering, stimulating entrepreneurial activity, and increasing the share of digital sales within the service sector of the economy.



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1. INTRODUCTION

Small and medium-sized enterprises play a crucial role in ensuring the global competitiveness of the economy and achieving a rapid pace of economic growth. This is explained by the fact that, being the most flexible market agents and possessing little market power, SMEs have broad opportunities and powerful incentives to adapt to changing conditions in the economy. To this end, they demonstrate high innovative activity.

The significance of the development of small and medium-sized enterprises in today's economy has increased for several reasons. One reason is that SMEs contribute to accelerating technological progress in the

national economy and help it adapt more quickly to industrial revolutions. By independently financing and implementing digital innovations under the influence of natural market incentives, small and medium-sized enterprises promote the overall technological modernization of the economy.

This approach is preferable to the artificial state-driven stimulation of large enterprises' transition to Industry 5.0. Such enterprises tend to be slow-moving due to their high levels of bureaucracy. Moreover, the transition requires substantial regulatory efforts and significant funding from the national budget. Moreover, small and medium-sized enterprises (SMEs) are typically quicker than large corporations, often constrained by formal

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reporting requirements, to adopt progressive practices that support the sustainable development of the economy through the active implementation of responsible innovations.

Another important factor is the ability of small and medium-sized enterprises (SMEs) to integrate into evolving international supply and distribution chains and adapt their operations to economic crises. In light of these advantages, the Government of Uzbekistan has devoted considerable attention to the development of SMEs, as reflected in the national strategy for entrepreneurship development extending through 2030 (President of the Republic of Uzbekistan, 2025).

The success of the economic activity of small and medium-sized enterprises is based on the rationalization of this activity, which is primarily determined by the international division of labor. Small and medium-sized enterprises most accurately define the competitive advantages of the economy and use them in their business activities. This radically distinguishes them from large enterprises, especially from state corporations, which conduct their economic activities in accordance with long-term government plans (i.e., significantly detached from market realities).

The financial component of the international division of labor deserves special attention. During financial globalization, International Financial Reporting Standards (IFRS) are spreading in the business environment, which are very popular among small and medium-sized enterprises. Thanks to the application of IFRS, SMEs gain greater investment attractiveness, gaining the opportunity to attract additional foreign investment. By following IFRS, SMEs also integrate more easily into international supply and sales chains, where financial reporting is unified.

The foregoing determines the relevance of scientifically studying the prospects for fuller utilization of the opportunities of financial globalization related to the application of IFRS by small and medium-sized enterprises for their development, especially in developing countries like Uzbekistan. The problem lies in the uncertainty of the conditions on which the transition of Uzbek SMEs to IFRS depends. Based on the posed problem, this research aims to establish prospects and develop applied solutions for a more widespread transition of SMEs in Uzbekistan to IFRS to maximize the benefits from financial globalization.

2. LITERATURE REVIEW

The theoretical basis of the conducted research is the concept of financial globalization, presented in the works of Khan et al. (2025) and Salnazaryan et al. (2022). The existing literature outlines a mechanism for enhancing the development of small and medium-sized enterprises under the influence of financial globalization, accompanied by the spread of IFRS among the subjects of this entrepreneurship. Within this mechanism, the transition of small and medium-sized enterprises to IFRS

during their financial globalization provides the following advantages for these enterprises (IFRS, 2025):

- Growth in the share of small and medium-sized enterprises in the structure of national entrepreneurship due to the expansion of the participation of these enterprises in international supply and sales chains (Raymbaev et al., 2017);
- Reduction in the financing deficit of small and medium-sized enterprises due to their greater involvement in the international financial system and the influx of foreign financial resources to these enterprises (Popkova & Ergasheva, 2024).

As potential factors presumed to influence the transition of small and medium-sized enterprises (SMEs) to IFRS, the existing literature highlights the following:

- The prevalence of clusters in the economy, allowing small and medium-sized enterprises to integrate and exchange experiences in transitioning to IFRS and jointly master IFRS (Zorin et al., 2016);
- The transparency of entrepreneurial activity, which is necessary for compliance with IFRS. Insufficient transparency leads to the spread of the shadow economy and creates barriers to the transition to IFRS (Veselovsky et al., 2017);
- Digitalization of entrepreneurial activity, allowing the automation of financial and accounting processes of small and medium-sized enterprises, thereby simplifying their mastering of IFRS (Glavina, 2024; Przhedetsky et al., 2021).

Despite the substantial body of literature on this research topic, existing studies have not quantified the extent of the benefits that small and medium-sized enterprises (SMEs) derive from adopting International Financial Reporting Standards (IFRS). Moreover, the influence of the identified factors on SMEs' transition to IFRS has not been clearly specified. This gap in the literature is addressed in the present research through an econometric analysis of the causal relationships between financial globalization and the development of SMEs.

3. MATERIALS AND METHODS

At the first stage of the research, using the methods of horizontal and trend analysis, the authors studied the dynamics of financial globalization and the share of small and medium-sized enterprises in the structure of entrepreneurship in Uzbekistan in 2010–2025. This allows us to identify trends in financial globalization and the development of small and medium-sized enterprises in Uzbekistan.

At the second research stage, the authors conducted a model of financial globalization of small and medium-sized enterprises adopting IFRS. To determine the role of financial globalization in the development of small and medium-sized enterprises (SMEs), this model assesses the relationship between two key indicators: the share of SMEs in the national entrepreneurial structure (Esm_1 , based on OECD estimates for 2025 and, for Uzbekistan, on data from the National Statistics Committee of the

Republic of Uzbekistan for 2025), the SME financing gap (Esm₂, according to UNDP and MBRF estimates for 2024), and the level of financial globalization (FG), as measured by the KOF Globalization Index for 2025.

To determine the conditions that determine the transition of small and medium-sized enterprises to IFRS, the authors identified the dependence of the level of financial globalization (FG) on three factors within the framework of the constructed model: (1) the prevalence of clusters in the economy (F₁); (2) the transparency of entrepreneurial activity (F₂); (3) the share of digital sales in the structure of services in the economy as an indicator of the digitalization of entrepreneurial activity (F₃) according to the UNDP and MBRF (2024) estimates.

Table 1. Financial globalization, factors, and the level of development of small and medium-sized enterprises (SMEs) in 2025.

Country	SMEs (% of enterprises)	MSME financing gap (% GDP)	State of cluster development (score 0–100)	Extent of corporate transparency (score 0–100)	Trade in digitally deliverable services (% total trade)	Financial globalization (score 0–100)
	Esm ₁	Esm ₂	F ₁	F ₂	F ₃	FG
Czech Republic	99.85	48.4	51.9	57.1	51.3	81.07
France	99.84	0.0	61.2	100.0	56.6	71.96
Greece	99.93	0.0	37.2	85.7	12.7	86.43
Iceland	99.82	0.0	53.7	85.7	24.1	61.35
Ireland	99.78	0.0	60.6	85.7	100.0	90.95
Slovakia	99.89	72.5	46.9	57.1	46.7	78.47
Slovenia	99.84	75.7	44.4	71.4	38.7	69.13
Spain	99.86	0.0	57.1	85.7	43.2	81.65
Turkey	99.85	85.6	48.0	85.7	21.3	45.86
Uzbekistan	84.29	77.0	59.9	85.7	8.6	54.33

Source: Compiled by the authors based on KOF (2025), the National Statistics Committee of the Republic of Uzbekistan (2025), OECD (2025), and UNDP and MBRF (2024).

At the third stage of the research, the authors determined the prospects for the development of small and medium-sized enterprises (SMEs) in Uzbekistan through the transition to IFRS. For this purpose, the authors conducted a scenario analysis based on the constructed regression model. Three alternative scenarios are developed and compared in terms of their consequences for the development of SMEs in Uzbekistan, calculated for the period up to 2030: (1) maintaining the current trend of financial globalization, (2) reaching the global average level of financial globalization, and (3) reaching the average level of financial globalization within the sample.

4. RESULTS

Within the first stage of this research, the authors turn to the dynamics of the development of small and medium-sized enterprises (SMEs) and financial globalization in Uzbekistan during 2010–2025.

According to the statistics in Figure 1, the share of small and medium-sized enterprises (SMEs) in the structure of entrepreneurship in Uzbekistan was 75.76% in 2010. A significant decline was observed in 2017 (2.36%) and 2024 (2.71%). A sharp increase occurred in 2020 (3.46%). By 2025, this share had risen to 84.29%, which

This research is conducted using the method of regression analysis. Including advanced international experience, a sample of ten countries, in addition to Uzbekistan, includes countries with the highest level of small and medium-sized enterprise development according to OECD estimates (2025). Two criteria were used to select countries for the sample: (1) the highest share of small and medium-sized enterprises in the structure of entrepreneurship among the countries of the world according to the OECD (2025); (2) the use of IFRS by small and medium-sized enterprises based on IFRS materials (2025). The research was conducted in 2025. It is based on statistics from Table 1.

is 11.26% higher compared to 2010. The level of financial globalization in Uzbekistan was 33.88% in 2010. A considerable decline was recorded in 2014 (3.56%). A sharp increase occurred in 2017 (22.48%) and 2018 (17.13%). By 2025, it had reached 54.33%, which is 60.36% higher compared to 2010.

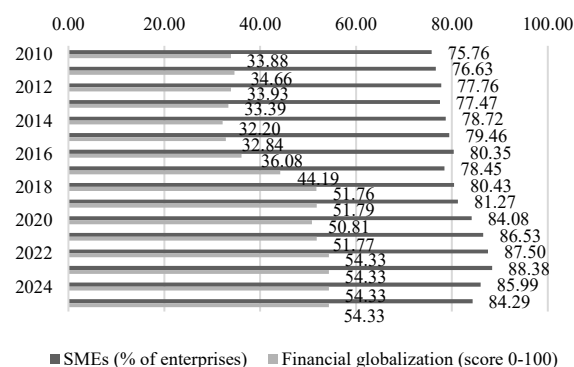


Figure 1. Dynamics of the development of small and medium-sized enterprises and financial globalization in Uzbekistan, 2010–2025.

Source: Compiled by the author based on materials from KOF (2025) and the National Statistics Committee of the Republic of Uzbekistan (2025).

Within the second stage of this research, based on the regression analysis of the statistics from Table 1, the

authors developed the following model of financial globalization of small and medium-sized enterprises adopting IFRS:

$$\begin{cases} Esm_1 = 87.7766 + 0.1458FG, \\ Esm_2 = 147.8183 - 1.5516FG, \\ FG = 94.7853 - 0.7994F_1 + 0.0142F_2 + 0.4425F_3. \end{cases} \quad (1)$$

Model (1) demonstrated that with a one-point increase in the level of financial globalization, the share of small and medium-sized enterprises (SMEs) in the structure of entrepreneurship increases by 0.1458%, while their financing deficit decreases by 1.5516% of GDP. The spread of clusters in the economy does not contribute to financial globalization. An increase of one point in business transparency leads to a rise in the level of financial globalization by 0.0142 points. A 1% increase in the share of digital sales in the structure of service delivery in the economy ensures a growth in the level of financial globalization by 0.4425 points.

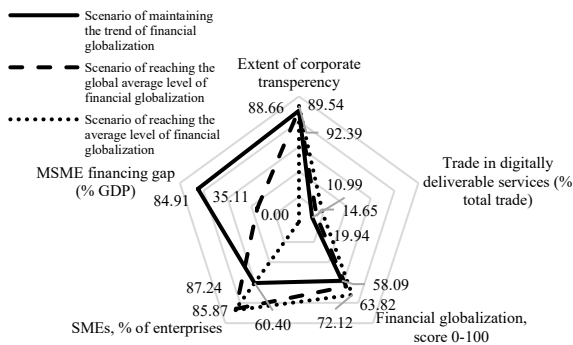


Figure 2. Prospects for the development of small and medium-sized enterprises in Uzbekistan through the transition to IFRS by 2030.

Source: Developed by the authors.

Within the third stage of this research, based on Model (1) of financial globalization of small and medium-sized enterprises adopting IFRS, the authors determined the prospects for SME development in Uzbekistan through the transition to IFRS. These prospects are presented in three alternative scenarios up to 2030 (Figure 2).

As shown in Figure 2, the scenario of maintaining the trend of financial globalization (which increased 1.07 times over the past five years – from 50.81 points in 2020 to 54.33 points by 2025) assumes a further rise in its level to 58.09 points by 2030 (i.e., an increase of 6.92% compared to 2025). To achieve this, business transparency would need to rise by 3.46% compared to 2025 (reaching 88.66 points by 2030). The share of digital sales in the structure of service delivery in the economy would need to increase by 27.75% compared to 2025 (reaching 10.99 points by 2030).

As a result, the share of small and medium-sized enterprises (SMEs) in the structure of entrepreneurship will increase by 0.74% compared to 2025 (reaching 84.91 points by 2030); their financing deficit will decline by 21.56% compared to 2025 (to 60.40% of GDP by 2030).

The scenario of reaching the global average level of financial globalization (63.82 points) implies an increase of this level by 17.47% by 2030 compared to 2025. To achieve this, business transparency would need to rise by 4.48% compared to 2025 (reaching 89.54 points by 2030). The share of digital sales in the structure of service delivery in the economy would need to increase by 70.31% compared to 2025 (reaching 14.65 points by 2030).

As a result, the share of small and medium-sized enterprises (SMEs) in the structure of entrepreneurship will increase by 1.87% compared to 2025 (reaching 85.87 points by 2030); their financing deficit will decline by 54.41% compared to 2025 (to 35.11% of GDP by 2030). The scenario of reaching the average level of financial globalization within the sample (72.12 points) implies an increase of this level by 32.74% by 2030 compared to 2025. To achieve this, business transparency would need to rise by 7.80% compared to 2025 (reaching 92.39 points by 2030). The share of digital sales in the structure of service delivery in the economy would need to increase by 131.86% compared to 2025 (reaching 19.94 points by 2030).

As a result, the share of small and medium-sized enterprises (SMEs) in the structure of entrepreneurship will increase by 3.50% compared to 2025 (reaching 87.24 points by 2030); their financing deficit will be fully overcome by 2030.

5. DISCUSSION

The results obtained develop the concept of financial globalization by Khan et al. (2025) and Salnazarayan et al. (2022) through clarifying the impact of factors on the transition of small and medium-sized enterprises (SMEs) to IFRS (Table 2).

Table 2. Factors identified in the literature and their impact on the transition of small and medium-sized enterprises to IFRS in 2025

Factors influencing the transition of SMEs to IFRS	Literature studying the factors	Impact on financial globalization (regression)
Prevalence of clusters in the economy	Zorin et al. (2016)	Negative (-0.7994)
Business transparency	Veselovsky et al. (2017)	Positive (0.0142)
Digitalization of entrepreneurial activity	Glavina (2024), Przhedetsky et al. (2021)	Positive (0.4425)

Source: Developed by the author.

According to Table 2, unlike the findings of Zorin et al. (2016), the dissemination of clusters within the economy does not contribute to the adoption of IFRS. Furthermore, the assumptions previously proposed in the published literature regarding the positive influence of the

following two factors on financial globalization have been confirmed:

- The transparency of entrepreneurial activity, which is essential for compliance with IFRS (as consistent with Veselovsky et al., 2017);
- The digitalization of entrepreneurial activity, which enables the automation of financial and accounting processes in small and medium-sized enterprises, thereby facilitating their adoption of IFRS (as consistent with Glavina, 2024; Przhedetsky et al., 2021).

Thus, the research continues the line of research initiated by Raymbaev et al. (2017) and Popkova and Ergasheva (2024), complementing the mechanism of small and medium-sized enterprises' transition to IFRS during their financial globalization with previously unidentified causal relationships.

4. CONCLUSION

Thus, the principal conclusion of this research is that financial globalization plays a crucial role in the development of small and medium-sized enterprises, specifically by supporting their transition to IFRS. The clarification of this role determines the theoretical significance of the research. This conclusion is grounded in the following results:

- Trends have been identified indicating an increase in the level of financial globalization (+11.26%) and the dynamic development of small and medium-sized enterprises (+60.36%) in Uzbekistan in 2010–2025;
- A model of the financial globalization of small and medium-sized enterprises adopting IFRS has been constructed, clarifying the conditions that determine this transition;
- The prospects for the development of small and medium-sized enterprises in Uzbekistan through the adoption of IFRS by 2030 have been determined.

This has made it possible to develop practical solutions aimed at facilitating a broader transition of small and medium-sized enterprises in Uzbekistan to IFRS to maximize the benefits of financial globalization. These solutions consist of abandoning clusterization, enhancing the transparency of entrepreneurial activity, and increasing the share of digital sales in the structure of service delivery within the economy.

The practical significance of the results lies in the fact that the implementation of the proposed applied solutions will support the realization of the strategy (President of the Republic of Uzbekistan, 2025), ensuring the full utilization of the opportunities of financial globalization associated with the adoption of IFRS by small and medium-sized enterprises for their development in Uzbekistan up to 2030.

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