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# From Formal Adoption to Professional Practice: Professionalization and the Implementation Absorption Gap in Uzbekistan's Audit Reform

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**Abstract:** This article examines the professionalization challenge underlying audit reform in Uzbekistan and develops the concept of the implementation absorption gap to explain the divergence between rapid formal adoption of international standards and slower substantive internalization in practice. Although Uzbekistan has moved quickly to align its auditing framework with international requirements through legal reform, ISA adoption, certification modernization, digital monitoring, and external quality assurance procedures, the deeper professional foundations required for effective implementation remain uneven. Drawing on documentary analysis and official audit market indicators, the study demonstrates that the key constraint in the Uzbek case is not the absence of regulation but the incomplete development of normative capacity: professional judgment, skepticism, training depth, continuing professional development, international integration, and firm-level learning culture. The evidence shows that international certifications remain limited to a minority of practitioners, international network participation is concentrated in a narrow segment of firms, audit activity is heavily concentrated in Tashkent, and small and medium-sized practices face disproportionate adjustment pressures. The article contributes to the literature by moving beyond a simple "successful convergence" narrative and by offering the implementation absorption gap as an analytical concept for understanding why formal institutional reform can outpace professional internalization in state-led transition economies. The findings suggest that the next phase of reform should prioritize professional education, mentoring, interpretive guidance, and capability-building mechanisms rather than further regulatory expansion alone.

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## Introduction

Audit reform is often narrated in terms of new laws, new standards, and new oversight institutions. Yet professional transformation does not end when regulation is enacted. Particularly in the field of auditing, long-term reform success depends on whether practitioners internalize new concepts, develop new competencies, and embed international expectations into everyday practice. This distinction becomes especially important in transition economies, where state-led reform can move quickly while professional socialization proceeds more slowly.[1][2]

Uzbekistan offers a compelling example. In recent years the country has adopted a new audit law, recognized International Standards on Auditing (ISA) as the sole applicable standards, modernized the certification system, introduced external quality assurance procedures, and established digital monitoring arrangements. These reforms have reshaped the formal institutional environment of the profession. However, the deeper question is whether the profession itself has absorbed the logic of these reforms in substantive terms.[3]

This article argues that the central challenge in Uzbekistan's audit reform is an implementation absorption gap: a mismatch between rapid formal institutional establishment and the slower development of the professional norms, skills, and interpretive capacities required for effective implementation. The paper addresses three interrelated questions. First, what evidence indicates that professionalization has lagged behind regulatory reform? Second, how do market structure and organizational asymmetry shape this lag? Third, what are the implications for policy and professional development in Uzbekistan and comparable transition economies?

By focusing on professionalization rather than only regulation, the article contributes a more practice-oriented perspective on audit reform and highlights why formal compliance is an insufficient measure of substantive transformation.[4]

## **2. Literature Review and Analytical Framing**

### **2.1. Professionalization in Auditing**

Professionalization refers to the process through which an occupation develops recognized knowledge, ethical standards, social legitimacy, mechanisms of entry and certification, and control over the methods and conditions of work (Larson, 1977). In auditing, professionalization includes mastery of technical standards, development of professional skepticism, capacity for judgment under uncertainty, continuing education, and adherence to ethical norms.[5]

Research in auditing has long shown that the quality of audit work depends not only on rules but also on auditor competence, experience, and judgment (Bonner, 1990; Libby & Luft, 1993; Nelson, 2009; Hurtt, 2010). The shift to ISA intensifies this requirement because the standards are fundamentally principles-based. They demand risk assessment, evidence evaluation, reasoning under ambiguity, and responsiveness to context. As a result, international convergence in standards presupposes professionalization in practice.[6]

### **2.2. Reform in Transition Economies**

Transition economies face distinctive professionalization challenges. Their institutional histories often include centralized administrative traditions, compliance-oriented control mechanisms, and limited professional autonomy. When such environments adopt international standards, formal alignment may occur faster than the development of the cognitive and normative capacities needed for substantive implementation (McGee, 2008; Mennicken, 2010).[7]

Comparative research supports this concern. Studies on emerging and transition contexts repeatedly show that convergence can remain ceremonial when local institutions lack the resources, incentives, or interpretive infrastructure needed to sustain real practice change (Albu et al., 2014; Nurunnabi, 2017). In these settings, international standards can become formally present but incompletely internalized.[8]

### **2.3. The Implementation Absorption Gap**

The implementation absorption gap may be defined as the distance between the formal establishment of new professional rules and the profession's practical ability to internalize, reproduce, and sustain them through everyday work. The concept directs attention to time, capability, and institutional depth. It recognizes that formal structures

can be created rapidly, while professional communities adapt through much slower processes of education, mentoring, peer learning, and cultural change.[9]

In the Uzbek case, this concept is particularly useful because the legal architecture of reform has advanced quickly and comprehensively, yet the evidence suggests that professional readiness remains uneven. The implementation absorption gap therefore provides a way to conceptualize the difference between de jure convergence and de facto professional transformation.[10]

### **3. Methodology**

This study uses qualitative documentary analysis combined with descriptive interpretation of official market indicators. Documentary sources include laws, presidential decrees, cabinet resolutions, and official materials concerning ISA recognition, auditor certification, and quality assurance. These sources provide evidence on the formal architecture of reform.[11]

To assess the professionalization dimension, the article draws on observable indicators such as the number of internationally certified auditors, participation in international professional networks, the demographic composition of the auditor population, the geographic concentration of the market, and the position of small and medium-sized practices within the reform environment. These indicators do not directly measure professional judgment or skepticism, but they provide a basis for identifying the institutional conditions that support or constrain deeper professional internalization.

The study does not claim to capture all informal dynamics of the profession. Rather, it develops an analytically grounded interpretation of why rapid formal convergence may coexist with incomplete substantive implementation.[12]

### **4. Results**

#### **4.1. Formal Alignment Has Outpaced Normative Internalization**

Uzbekistan's audit system has undergone extensive formal modernization. The profession now operates under a modernized legal framework, ISA have replaced national standards, and external quality assurance procedures have been established. These achievements are substantial and should not be understated.

However, formal alignment is not the same as normative internalization. The move from a rules-based or compliance-oriented environment to a principles-based audit framework requires profound changes in how auditors think, not only in what they are instructed to do. International standards require practitioners to evaluate risk, assess materiality, challenge management assertions, and determine the sufficiency of evidence in context. These are not merely procedural tasks; they are judgment-intensive professional activities.[13]

The available evidence suggests that practical skills in applying ISA, exercising professional skepticism, and forming professional judgments remain insufficiently developed among part of the practitioner community. This indicates that the reform has moved further at the level of formal structure than at the level of professional cognition and socialization.

#### **4.2. International Certification and Professional Exposure**

A useful indicator of normative professionalization is the extent of international certification and cross-border professional engagement. In 2025, only 170 of 1,296 certified auditors in Uzbekistan held international qualifications such as CIPA, ACCA, or CPA. This represents approximately 13.1 percent of the total auditor population. In addition, 350 auditors were participating in international professional networks, while 34 of 175 firms had international network membership.

These figures are significant because international qualification systems and networks transmit more than technical knowledge. They also diffuse expectations

regarding quality, ethics, documentation, methodology, and professional conduct. Practitioners exposed to these environments are more likely to acquire the mindset associated with global professional practice.

Yet the data also show that such exposure remains concentrated in a minority segment of the market. This means that the channels through which global professional norms are internalized are present, but not evenly distributed across the profession.

### **4.3. Continuing Professional Development and Its Limits**

The reform framework in Uzbekistan recognizes continuing professional development (CPD), public associations of auditors, and ethical standards as important elements of professional regulation. However, the evidence suggests that training may retain a relatively formal character in some cases and may not fully ensure the level of capability required by international standards.

This is a common challenge in reform contexts. CPD can satisfy procedural requirements without necessarily transforming how practitioners reason and act. Hours completed do not automatically translate into professional skepticism, interpretive confidence, or better judgment under uncertainty. Where training is compliance-oriented rather than competency-oriented, the profession may achieve formal coverage without deepening substantive capacity.

The implication is that professionalization requires more than expanding training volume. It requires redesigning professional development around case-based learning, interpretive practice, mentoring, ethical reasoning, and judgment formation.[14]

### **4.4. The Cognitive Challenge of ISA**

The introduction of ISA is professionally demanding because the standards are based on principles, not just prescriptive instructions. Auditors must assess the risk of material misstatement, determine appropriate responses, and evaluate whether evidence is sufficient and appropriate. This requires analytical capacity, skepticism, and context-sensitive reasoning.

In a profession shaped historically by compliance-oriented traditions, this transition creates a significant cognitive challenge. Legal reform can mandate new procedures, but it cannot instantly generate the habits of mind necessary to apply them effectively. This is why the implementation absorption gap is not only an institutional issue but also a cognitive-professional one.[15]

## **5. Market Structure and Uneven Absorptive Capacity**

### **5.1. Geographic Concentration and Unequal Professional Environments**

Uzbekistan's audit market remains heavily concentrated in Tashkent. In 2025, 4,836 of 6,428 audited entities—about 75.2 percent—were located in the capital. This pattern matters because professionalization is affected by access to clients, peer networks, training opportunities, and organizational resources. Practitioners in Tashkent are more likely to operate within richer professional ecosystems, while regional firms may face more limited exposure and fewer institutional supports.

Thus, the implementation absorption gap is also geographically uneven. Formal standards apply nationally, but the conditions for absorbing them are not equally distributed.[16]

### **5.2. Small and Medium-Sized Practices Under Pressure**

The reform imposes significant demands on all firms, but especially on small and medium-sized practices. These firms may face resource constraints in adopting new technology, developing internal methodologies, maintaining training programs, and building quality management systems. Where international standards and oversight expectations rise rapidly, smaller firms can struggle to adapt at the same pace as larger or internationally connected firms.

This creates differentiated absorptive capacity within the profession. Firms with stronger networks and greater resources can internalize reforms more quickly; smaller firms may remain in a position of formal compliance without deeper methodological transformation. The result is the risk of a two-tier market in which formal reform is universal but substantive capability is uneven.[17]

### **5.3. Competitive Pressure and Professional Depth**

Market incentives also affect professionalization. If engagements are shaped by strong price competition, firms may have less room to invest in staff development, mentorship, technology, and internal review systems. This undermines the very processes through which international standards become routine professional practice.

The Uzbek market has grown rapidly, but growth under competitive pressure can produce a tension between expansion and depth. The profession may become larger without becoming equally stronger in all its segments. This makes it important to distinguish between quantitative reform success and qualitative professional consolidation.[18]

## **6. Discussion: Why the Implementation Absorption Gap Matters**

The core contribution of this article is to show that the Uzbek case should not be read only as a story of successful legal convergence. It is also a story of uneven professional internalization. The implementation absorption gap helps explain why reform can be both real and incomplete at the same time.

Uzbekistan has clearly achieved formal progress. Its regulatory architecture is far more modern and internationally aligned than before. However, the deeper logic of ISA cannot become fully effective unless the profession acquires the cognitive, normative, and organizational capacity to apply it in complex real-world settings.

This insight has broader theoretical relevance. In state-led transition economies, concentrated political authority can accelerate formal reform. But professional communities evolve through slower mechanisms: education, mentoring, peer interaction, reputation building, and cultural reproduction. When the two processes move at different speeds, the result is precisely the kind of implementation absorption gap identified here.

The concept therefore offers a useful way to bridge regulatory analysis and professionalization analysis. It shows why the success of reform must be evaluated not only in terms of laws enacted, but also in terms of the profession's ability to inhabit those laws meaningfully.[19]

## **7. Policy and Practice Implications**

For regulators, the main implication is that further progress now depends less on additional legal elaboration and more on strengthening normative capacity. Priority areas include interpretive guidance for ISA application, support mechanisms for smaller firms, and oversight practices that combine compliance with developmental feedback.

For professional associations and training providers, the findings suggest a need to redesign continuing professional development around competencies rather than formal participation. Training should emphasize judgment, skepticism, scenario analysis, ethical dilemmas, and practical ISA application.

For audit firms, especially local and medium-sized practices, professionalization requires deliberate internal investment. This includes staff coaching, documentation culture, internal review, methodological consistency, and sustained learning rather than episodic compliance training.[20]

For international partners and development organizations, the Uzbek case indicates that post-adoption support should focus less on further standard transplantation and more on building the human and organizational infrastructure that allows standards to function substantively.

## 8. Conclusion

Uzbekistan's audit reform is a notable case of rapid formal convergence with international auditing standards in a transition economy. The country has modernized the legal framework, expanded the profession, and strengthened institutional alignment with global audit architecture. These are major achievements.

Yet formal adoption is not the final measure of reform success. The deeper question is whether the profession has absorbed the mindset, competencies, and social norms required to make international standards effective in daily practice. The evidence presented here suggests that this process is still incomplete.

The implementation absorption gap captures this condition. It explains why legal and institutional modernization can advance faster than professional internalization, and why the next phase of reform must focus on capability, culture, and professional depth. In Uzbekistan, as in other state-led transition economies, the long-term success of audit reform will depend less on whether international standards have been adopted and more on whether they have become genuinely lived professional practice.

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