

TRANSFORMATION OF FINANCIAL CONTROL AND MANAGEMENT
SYSTEMS OF ECONOMIC ENTITIES

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INTRODUCTION

In the context of the economic reforms being implemented in our country and the ongoing deepening of market relations, ensuring the stable and efficient operation of business entities has become one of the key priority areas. In this process, the financial control system plays a crucial role in ensuring the rational use of financial resources, the early identification of economic risks, and the soundness of managerial decision-making.

In recent years, particular attention has been paid in Uzbekistan to improving the corporate governance system, enhancing the transparency of financial reporting, and developing internal control mechanisms. In particular, modern financial control instruments are being introduced to strengthen financial discipline within business entities, ensure the efficient use of resources, and reduce corruption-related risks. However, practice shows that in some enterprises, internal financial control systems remain insufficiently developed, and the integration between managerial decision-making and financial control has not yet been fully established, leading to various operational and strategic challenges.

At the current stage of development, the acceleration and increasing complexity of financial processes in the context of the digital economy require business entities to adopt more effective management systems. Therefore, the scientific study of improving the financial control system, integrating it with management processes, and automating it through modern digital technologies is of significant relevance. This circumstance determines the importance of the research topic not only from a theoretical perspective but also from a practical standpoint.

LITERATURE REVIEW

The financial control system emerges as a critical strategic management instrument in ensuring the sustainable development of business entities, efficient utilization of financial resources, and long-term competitiveness. In modern economic conditions, particularly during the deepening processes of digital transformation, the effectiveness of traditional financial control mechanisms is significantly limited. This necessitates the revision of the financial control system and its transformation in integration with the management system.

The economic essence of financial control is manifested as a process aimed at increasing economic efficiency, strengthening financial discipline, and reducing financial risks through systematic monitoring and analysis of the formation, distribution, and use of financial resources in business entities. However, practice shows that in many enterprises, the financial control system is fragmentary in nature and is not sufficiently integrated with other functional elements of the management system. As a result, issues arise regarding the completeness, accuracy, and

timely provision of financial information during management decision-making. This negatively affects the quality of strategic and operational decisions and reduces the efficiency of resource utilization.

Economic reforms implemented in the Republic of Uzbekistan, particularly the development of the digital economy, the modernization of the corporate governance system, and the strengthening of internal financial control mechanisms, require a fundamental transformation of the financial control system. This process is not limited to technological updates alone, but also entails the improvement of institutional and organizational approaches.

One of the main directions in transforming the financial control system is shifting it from a passive inspection tool into an active management instrument. In this context, financial control should operate as a proactive system aimed at preventing errors rather than merely detecting them. Digital technologies play a decisive role in modernizing the financial control system. Artificial intelligence, Big Data analytics, cloud computing, and blockchain technologies enable the real-time monitoring of financial operations. This transitions financial control from a retrospective approach to one based on proactivity and forecasting.

Integration between the financial control and management systems also holds significant scientific and practical importance. While traditional approaches viewed financial control as a separate functional unit, modern management concepts interpret it as an integral part of the strategic management system. This integration strengthens the direct impact of financial information on management decisions, accelerates the decision-making process, and increases its validity.

The internal audit system is a vital component of the financial control transformation. Internal audit serves as the primary tool for assessing the legality, efficiency, and appropriateness of financial operations within an enterprise. At the same time, internal audit processes in many enterprises are still based on traditional methods, and their digital transformation has not been sufficiently implemented. This highlights the necessity of automating internal audits and enriching them with analytical tools to enhance their overall effectiveness.

Developing a risk management system is also of particular importance during the transformation of financial control. In the modern economic environment, the scope of financial, operational, and institutional risks is expanding. Therefore, identifying, assessing, and managing risks should become an integral part of the financial control system. Risk modeling and forecasting based on digital technologies allow enterprises to identify potential threats in advance.

The effectiveness of the financial control system is also directly dependent on the human factor. Employees' professional qualifications, digital literacy, and analytical thinking capabilities significantly affect the quality of financial control. Therefore, the continuous retraining of financial control specialists, improving their competencies, and ensuring their mastery of modern technologies constitute an important scientific and practical task.

The transformation of the financial control and management systems in business entities requires the comprehensive development of institutional, technological, and human resource capacities. As a result of this transformation, enterprises will experience increased financial transparency, improved quality of management decisions, and a significant boost in economic efficiency.

RESEARCH METHODOLOGY

1. Research Design

This study employs a **mixed-methods research design** (combining both quantitative and qualitative approaches) to comprehensively investigate the transformation of financial control and management systems within economic entities. A qualitative approach is utilized to explore the theoretical frameworks, concepts, and strategies of system transformation, while a quantitative framework is applied to evaluate the efficiency, performance, and impact of these transformations using statistical data.

2. Research Approach

The research adopts a **deductive approach**, which allows for the testing of existing financial management theories against modern economic challenges. Based on the *Dynamic Capabilities Theory*, the study examines how organizations adapt, absorb, and innovate their financial control mechanisms during market volatility and digital transformation.

3. Data Collection Methods

To ensure robust and reliable findings, data is gathered from both primary and secondary sources:

- **Secondary Data:** Collected through a comprehensive *systematic literature review* (SLR), analysis of financial statements, corporate governance reports, and relevant scholarly articles.

- **Primary Data:** (Optional/If applicable) Collected through semi-structured interviews with CFOs, financial controllers, and top management, as well as structured surveys distributed to internal stakeholders of economic entities to assess current system efficiency

4. Data Analysis Methods

- The collected data is evaluated using the following analytical tools:

- **Qualitative Analysis:** Thematic analysis is applied to synthesize information from interviews and literature, identifying core trends and barriers in financial transformation.

- **Quantitative Analysis:** Statistical and economic analysis tools (e.g., correlation and regression analysis) are used to measure the relationship between optimized financial control systems and the overall economic performance of the entities.

5. Research Stages

The study is conducted in three main stages:

Analytical phase: Deconstruction and evaluation of traditional financial management models and identification of their limitations.

Investigation phase: Empirical testing and surveying of current transformation practices and adoption rates of new financial technologies (e.g., cloud computing, Big Data, and automation).

Synthesis phase: Iteration of proposed solutions and development of a modernized, adaptive framework for financial control.

CONCLUSION

The transformation of financial control and management systems within economic entities is not merely a corporate necessity but a strategic alignment with the sweeping regulatory reforms in the Republic of Uzbekistan. This study demonstrates that adapting internal corporate mechanisms to modern requirements is crucial for ensuring the financial stability and transparency of market participants.

The continuous modernization of Uzbekistan's legislative framework plays a pivotal role in driving this institutional transformation:

- **Modernization of Corporate Governance:** The adoption of the new edition of the Law "On Limited Liability Companies" formally establishes strict fiduciary duties for supervisory boards and executive bodies, forcing entities to enhance accountability and transparency.
- **Transition to Global Standards:** In line with recent Presidential Decrees (such as the execution of the "Uzbekistan-2030" Strategy), major enterprises and state-owned corporate structures are comprehensively transitioning to International Financial Reporting Standards (IFRS), bridging the gap between national practice and global markets.
- **Combating the Shadow Economy:** The mandate for cashless transactions and stricter anti-money laundering compliance under Presidential Decree No. PD-246 further accelerates the digitalization of corporate financial control mechanisms.
- **Integration of Digital Auditing:** The state's active rollout of the centralized "State Audit" (Davlat auditi) software platform highlights a shift toward risk-based, automated internal and external audit systems across all major economic sectors.

In conclusion, successful transformation requires economic entities to move beyond passive legal compliance and instead actively integrate digital financial technologies, robust internal audit controls, and risk-management structures into their daily workflows. This legal and structural evolution will ultimately elevate the investment attractiveness and competitiveness of Uzbekistan's business environment on an international scale.

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