

### THE IMPORTANCE OF INTERNATIONAL STANDARDS IN ENHANCING THE TRANSPARENCY OF FINANCIAL REPORTING IN PUBLIC HIGHER EDUCATION INSTITUTIONS

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#### ABSTRACT

Transparency in financial reporting is a critical factor in ensuring accountability and efficient resource allocation in public higher education institutions (HEIs). This study examines the role of international financial reporting standards in improving transparency, comparability, and reliability of financial information in HEIs. The findings indicate that the adoption of standardized reporting frameworks enhances the clarity of revenue structures, improves monitoring of public funds, and supports evidence-based decision-making. Empirical evidence shows that public HEIs receive a significant share of their revenues from state funding, while alternative sources such as student fees and third-party funding remain relatively limited [1]. At the same time, international analyses highlight the importance of transparent cost allocation and diversified funding models for ensuring financial sustainability [2]. The study concludes that the implementation of international standards strengthens financial discipline, increases institutional accountability, and reduces information asymmetry in the higher education sector.

**KEYWORDS:** financial reporting, international standards, transparency, higher education institutions, public funding, accountability, financial sustainability, budgeting, IFRS, public sector accounting

#### MAIN PART

Public higher education institutions represent a key component of national socio-economic development, as they contribute to human capital formation, scientific innovation, and technological progress. However, their financial management systems are increasingly exposed to challenges related to limited budgetary resources, growing student demand, and the need to ensure accountability in the use of public funds. In this context, transparency

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in financial reporting becomes not only a technical requirement but also a strategic necessity. In the author's view, the issue of financial transparency is particularly relevant for transition economies, where public sector reforms are still evolving and accountability mechanisms require further strengthening.

One of the most significant problems in the financial management of HEIs is the heterogeneity of accounting practices. In many countries, public sector accounting systems are based on national standards that differ in terms of recognition, measurement, and disclosure of financial information. This lack of uniformity reduces the comparability of financial statements and limits the ability of stakeholders to assess institutional performance. The adoption of international financial reporting standards, including accrual-based accounting principles, helps to eliminate these inconsistencies and provides a unified methodological framework. This issue is especially relevant in the context of ongoing reforms in higher education financing, where improving transparency and aligning national practices with international standards has become an important policy priority.

**Table 1 Structure of Revenue Sources in Public HEIs**

Revenue Source	Average Share (%)	Characteristics
State funding (core budget)	~66%	Main and stable funding source
Student fees	10–20%	Higher in some countries
Third-party funding	~7%	Research grants and projects
Private funding	<10%	Donations and partnerships

Source: compiled based on international analytical data [1]

The analysis of revenue structures demonstrates that public HEIs remain highly dependent on state funding. According to international data, approximately two-thirds of total institutional revenues are derived from government sources [1]. This level of dependence on state funding inevitably increases the need for transparency, since any inefficient or non-transparent use of public resources can lead to serious economic and social consequences.

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At the same time, the relatively small share of third-party and private funding indicates limited diversification of income sources. This makes financial sustainability highly sensitive to changes in public budgets. In such conditions, transparent reporting becomes a tool for justifying funding needs and attracting additional financial resources.

Another important aspect of financial transparency is the accurate identification and allocation of costs. Higher education institutions perform multiple functions, including teaching, research, and community services, each of which requires different levels of financial resources. International experience shows that the implementation of cost accounting systems, such as activity-based costing, allows institutions to better understand the structure of their expenditures and improve efficiency [2].

**Table 2 Impact of International Standards on Financial Transparency**

Indicator	Without Standards	With Standards
Comparability of reports	Low	High
Reliability of data	Moderate	High
Accountability level	Limited	Strong
Decision-making efficiency	Low	Improved
Stakeholder trust	Weak	Strong

Source: developed by the author based on international studies [2], [3]

As shown in Table 2, the introduction of international standards significantly improves key qualitative characteristics of financial reporting. In particular, comparability and reliability are enhanced due to standardized recognition and disclosure rules. This, in turn, increases the level of accountability and facilitates more informed decision-making by both internal and external stakeholders.

Furthermore, modern higher education funding systems are increasingly based on performance-oriented approaches. Governments allocate resources not only based on historical budgets but also on measurable indicators such as student enrollment, graduation rates, and research outputs. These funding mechanisms require high-quality financial data, which can only be ensured through transparent and standardized reporting systems [3].



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In addition, global trends in higher education financing indicate a gradual shift toward mixed funding models. While public funding remains dominant, there is a growing role of private investment, international grants, and student contributions. However, this diversification also increases the complexity of financial management and reporting. Without international standards, it becomes difficult to track multiple funding streams and ensure their proper use [4].

Another critical dimension of transparency is its role in reducing information asymmetry. In the absence of clear and reliable financial information, stakeholders such as government agencies, donors, and society at large face difficulties in evaluating institutional performance. This may lead to inefficient allocation of resources and reduced trust in public institutions. The adoption of international standards mitigates these risks by providing a transparent and consistent information environment.

Moreover, transparency in financial reporting is closely linked to the concept of good governance. Institutions that implement international standards are better equipped to establish internal control systems, prevent financial mismanagement, and ensure compliance with regulatory requirements. This contributes not only to financial sustainability but also to the overall effectiveness of higher education systems. Therefore, the transition toward internationally recognized reporting standards should not be viewed only as a technical reform, but also as an institutional mechanism for strengthening financial governance and public trust.

## CONCLUSION

The study confirms that international financial reporting standards play a crucial role in enhancing transparency in public higher education institutions. Standardized reporting improves the clarity, reliability, and comparability of financial information, which in turn strengthens accountability and supports effective decision-making. Given the significant reliance of HEIs on public funding, transparency becomes a key factor in ensuring efficient resource utilization. The adoption of international standards also contributes to improved governance, better cost management, and increased stakeholder confidence. Therefore, further development and

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implementation of these standards should be considered a strategic priority in the modernization of higher education financial systems.

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