



DIGITAL TRANSFORMATION OF ACCOUNTING PRACTICES IN SMALL SERVICE BUSINESSES IN SAMARKAND: ADOPTION LEVELS, SKILL GAPS, AND POLICY NEEDS

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Abstract. *This study investigates the digital transformation of accounting practices among small service enterprises in Samarkand, Uzbekistan. While national digitalization policies encourage the adoption of modern financial tools, the actual use of digital accounting systems at the SME level remains underexamined. A survey of 16 small businesses (cafés, beauty salons, photo studios, and IT service providers) was conducted in May 2025. Results show widespread use of basic digital tools such as mobile payment records (94%) and Excel-based bookkeeping (88%), but limited adoption of dedicated accounting software (only 19%) or cloud-based platforms (13%). Key barriers include lack of accounting-specific digital skills (69%), cost concerns (56%), and reliance on informal financial tracking (44%). The findings suggest that digital transformation in accounting is still in its early stages among Samarkand's SMEs and requires targeted interventions—particularly training in digital accounting literacy and access to affordable, user-friendly software. This research fills a gap in the literature on micro-level financial digitization in Central Asia and offers actionable recommendations for local policymakers and educational institutions.*

Keywords: digital accounting, SMEs, accounting software, financial digitization, service sector, Uzbekistan, Samarkand, digital skills

Introduction

Uzbekistan's economic modernization agenda places strong emphasis on digital transformation across all sectors, including finance and accounting. The "Strategy for the Development of the Digital Economy of the Republic of Uzbekistan for 2023–2027" (Cabinet of Ministers, 2023) explicitly calls for the digitization of financial record-keeping among SMEs to improve transparency, tax compliance, and access to credit. In Samarkand—a city with a rapidly growing service economy driven by tourism and small entrepreneurship—this shift is especially relevant.

However, despite policy momentum, empirical evidence on how small service businesses actually manage their financial records in the digital era remains scarce. Most existing studies focus on large firms or formal corporate reporting (Rahmonov, 2022), while the accounting practices of micro and small enterprises—often managed by owners without formal financial training—are overlooked.

This study addresses two research questions:

(1) What digital tools are currently used for accounting by small service enterprises in Samarkand?

(2) What factors hinder the adoption of advanced digital accounting systems?

The findings are particularly relevant for accounting educators, local business support centers, and national agencies promoting financial digitization in emerging economies.

Methods

A mixed-methods approach was employed, combining quantitative and qualitative data.

Sampling: A purposive sample of "16 small service enterprises" in Samarkand was surveyed in "May 2025". Inclusion criteria: (a) fewer than 50 employees, (b) operating in the service sector, (c) active for at least 2 years, and (d) owner or manager responsible for financial record-keeping.

Data collection: A structured questionnaire was administered in person or via phone, including:

- Business and respondent profile,
- Types of accounting tools used (manual ledgers, Excel, mobile apps, cloud software),
- Perceived barriers (5-point Likert scale + open-ended questions on challenges).

Analysis: Descriptive statistics (frequencies, percentages) summarized tool adoption. Thematic analysis was applied to qualitative responses. All data were anonymized.

Ethical considerations: Participation was voluntary and confidential.

Results

Sample profile: Businesses included caf  s (n=6), beauty salons (n=4), photo studios (n=3), and IT service providers (n=3). All had 1–8 years of operation.

Table 1

Digital accounting adoption :

Accounting Tool	Used by	%
Mobile payment records (Payme, Click)	15	94%
Excel or Google Sheets	14	88%
Manual paper ledgers	9	56%
Dedicated accounting software (e.g., MyBook, 1C)	3	19%
Cloud-based accounting platforms	2	13%

Main barriers:

- Lack of accounting-specific digital skills: 11 respondents (69%)

- High cost of software/subscriptions: 9 respondents (56%)
- Preference for informal/simple tracking: 7 respondents (44%)
- Distrust in digital data security: 4 respondents (25%)

Qualitative insights:

- > “I use Excel and screenshots from Payme—it’s enough for my café.”
- > “I tried 1C, but I didn’t understand it, and no one in Samarkand could train me.”
- > “Why pay for software when I manage everything in a notebook?”

Discussion

The results reveal a “digital accounting paradox”: while businesses are highly digital in payments and marketing, their financial record-keeping remains informal or semi-digital. This mirrors global trends where SMEs adopt consumer-grade digital tools but avoid professional financial systems (IFAC, 2022).

The dominance of Excel and mobile screenshots reflects a pragmatic, low-literacy approach—sufficient for daily operations but inadequate for tax reporting, audits, or credit applications. The low adoption of specialized software (19%) is not due to lack of access, but to skills gaps and perceived complexity.

Notably, IT service providers—despite their technical background—also avoided formal accounting software, citing time constraints and lack of integration with local tax requirements. This underscores that technical literacy $\neq$ accounting literacy.

Policy implications:

- Integrate basic digital accounting modules into vocational and higher education (e.g., at SamIES);
- Launch free local-language training on tools like MyBook or simplified 1C via Samarkand Business Support Centers;
- Encourage fintech partnerships to offer freemium cloud accounting tools compliant with Uzbek tax laws.

Limitations: Small sample size and focus on one city limit generalizability. Future studies could compare urban vs. rural SMEs or analyze the impact of recent tax digitization reforms.

Conclusion

Small service enterprises in Samarkand are digitally active but financially informal. While they embrace mobile payments and social media, their accounting practices lag behind, constrained by skills shortages and tool complexity. True digital transformation in accounting requires more than software—it demands education, localization, and trust. This study provides empirical grounding for designing inclusive financial digitization policies in Uzbekistan and similar contexts, reinforcing the idea that digital accounting is not just a technical issue, but a human and educational one.

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