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INSTITUTIONAL FACTORS OF ACCOUNTING INFORMATION QUALITY
AND AUDIT EFFECTIVENESS IN A PROJECT-BASED ECONOMIC
ENVIRONMENT

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Abstract: In project-based economic environments, the quality of accounting information and audit effectiveness represent key factors ensuring the stability of financial management and the soundness of investment decision-making. In such environments, the complex structure of projects, limitations in time and resources, as well as the large number of stakeholders significantly increase the demand for reliable financial information. At the same time, insufficient development of institutional factors may negatively affect the reliability of accounting information and the effectiveness of audit processes.

The purpose of this study is to identify the key institutional factors influencing accounting information quality and audit effectiveness in a project-based economic environment and to empirically analyze their interrelationships. Within the framework of the research, particular attention is given to the regulatory and legal environment, organizational governance systems, internal control mechanisms, and the role of professional institutions.

An empirical research approach integrating both quantitative and qualitative analysis methods was employed as the study's methodology. The data were collected from the financial statements of project-oriented organizations, audit reports, and expert interviews conducted with industry professionals. The results of the statistical analysis indicate a significant positive relationship between the stability of the institutional environment and both accounting information quality and audit effectiveness.

The scientific novelty of this research lies in the proposed comprehensive approach to evaluating accounting and auditing systems within the context of institutional factors in a project-based economic environment. The findings provide important theoretical and practical implications for improving financial management and audit practices.

Keywords: project-based economy, accounting information quality, audit effectiveness, institutional factors, financial governance, internal control systems

Introduction

In the contemporary system of economic relations, the expanding prevalence of project-based forms of activity has fundamentally transformed the requirements imposed on organizations' financial management and control systems. In recent years, the growing number of large-scale investment, infrastructure, and innovation projects has significantly increased both the volume and complexity of financial information generated within project frameworks. Under such conditions, the quality of accounting information and audit effectiveness emerge not merely as tools for reporting financial results, but as essential institutional mechanisms for substantiating managerial decisions and ensuring stakeholder confidence.



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In a project-based economic environment, the requirements placed on accounting information differ substantially from those associated with traditional production or service-oriented activities. The temporary nature of projects, constraints related to budgets and resources, and the involvement of multiple external stakeholders necessitate a high level of accuracy, timeliness, and reliability in financial reporting. However, existing studies do not fully explain how institutional factors shape accounting information quality and audit effectiveness in project-based economic environments. As a result, there is a growing risk of declining accounting information quality, the formalization of audit procedures, and insufficient financial transparency within project activities.

Institutional factors—including the regulatory and legal environment, organizational governance models, internal control systems, and the level of development of professional institutions—exert a direct influence on the effective functioning of accounting and auditing systems in project-based activities. Within a strong institutional environment, financial information is prepared in accordance with established standards, while audit processes are oriented toward risk-based approaches and independent evaluation. Conversely, weaknesses in institutional mechanisms may lead to the fragmentation of project-related financial information and a reduction in audit effectiveness.

The existing academic literature extensively examines accounting information quality and audit effectiveness as separate research domains. Some studies focus on the impact of financial information quality on managerial decision-making, while others analyze the determinants of audit effectiveness. Nevertheless, under conditions of a project-based economic environment, the interrelationship between these two concepts and institutional factors has not yet been sufficiently explored through comprehensive empirical research.

This study aims to identify the institutional factors shaping accounting information quality and audit effectiveness in a project-based economic environment and to empirically substantiate their mutual interactions. The relevance of the research is determined by the growing necessity to ensure financial transparency, strengthen accountability, and reinforce the role of the audit institution in project activities. This approach not only contributes to the development of accounting and auditing theory within an institutional framework, but also provides a solid scientific foundation for improving financial management practices in project-based economic settings.

Method

This study aims to identify the institutional factors influencing accounting information quality and audit effectiveness in a project-based economic environment and to empirically assess their interrelationships. The research design is based on a systematic and comprehensive approach, integrating both quantitative and qualitative analysis methods. This approach enabled a deeper exploration of the multifaceted characteristics of the institutional environment.

Within the quantitative research framework, selected financial statements and audit reports of organizations engaged in project activities were analyzed. Accounting information quality was assessed based on criteria such as accuracy, reliability, timeliness,



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and comparability. Audit effectiveness was measured using audit cycle duration, the proportion of detected financial discrepancies, and the level of risk identification. Institutional factors were represented by indicators including the regulatory and legal environment, the development level of internal control systems, and the organizational governance structure.

The collected data were processed using statistical analysis techniques, and correlations and regression analyses were employed to identify relationships between variables. This model facilitated the empirical substantiation of the impact mechanisms between institutional factors, accounting information quality, and audit effectiveness.

The qualitative analysis was conducted through semi-structured expert interviews with professionals in the accounting and auditing field. This approach provided the means to interpret quantitative findings and to assess the practical significance of institutional factors. Microsoft Excel and SPSS software were utilized for data processing and analysis throughout the study.

This methodological framework ensured the reliability and scientific rigor of the research findings, providing a robust basis for drawing empirically grounded conclusions regarding the influence of institutional factors on accounting and auditing practices in project-based economic environments.

Results & Discussion

The research findings highlight the significant role of institutional factors in shaping accounting information quality and audit effectiveness within project-based economic environments. Results show that the development level of the regulatory and legal framework, internal control systems, and organizational governance structures has a substantial impact on financial information quality. In the organizations analyzed, where regulatory norms were clearly defined and effectively integrated into practice, the reliability and timeliness of accounting information were noticeably higher. Similarly, organizations with robust internal control mechanisms exhibited faster and more efficient audit processes.

Quantitative analysis indicated a significant positive correlation between the development of institutional factors and audit effectiveness. Audit cycle duration was shortened, and the proportion of detected financial discrepancies decreased. The proposed model enhances error detection through risk-focused analysis, allowing auditors to concentrate on high-risk transactions. Additionally, improved budget and expenditure monitoring increased the reliability of financial forecasts for decision-making. These results empirically confirm the interdependence between data quality and audit processes in project-based financial activities.

Qualitative analysis was conducted through expert interviews. Feedback from auditors and accounting professionals indicated that institutional factors—particularly internal controls and governance systems—play a crucial role in ensuring accuracy and independence in audit procedures. Furthermore, clarity and regular updates in the regulatory environment simplify the preparation of financial reports and reduce the risk of errors.



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Table 1 summarizes the main quantitative indicators of the study:

Indicator	Low Level	High Level
Accounting Information Quality	Moderate	High
Audit Cycle Duration	Long	Shortened
Proportion of Detected Errors	High	Low
Accuracy of Budget and Expenditure Control	Moderate	High

Table 1. Relationship between Institutional Factors and Financial Indicators

Analysis of the table indicates that organizations with well-developed institutional factors exhibit higher financial information accuracy and audit effectiveness. This demonstrates that institutional quality directly influences financial transparency and the effectiveness of managerial decision-making. Moreover, the findings suggest that strengthening institutional factors in a project-based economic environment can enhance financial management.

The scientific significance of these results lies in confirming the direct relationship between institutional factors and accounting information quality and audit effectiveness in project-based economic activities. Practically, these findings provide organizations with guidance on improving financial transparency, efficiently allocating resources, and mitigating risks through the enhancement of internal control systems and regulatory frameworks. Consequently, the study's results contribute not only to theoretical development but also to practical improvements in project-based financial management.

Conclusion

This study aimed to identify the institutional factors shaping accounting information quality and audit effectiveness in a project-based economic environment and to empirically examine their interrelationships. The findings indicate that the clarity and stability of the regulatory and legal framework, the development of internal control systems, and the effective functioning of organizational governance structures directly influence the accuracy, reliability, and timeliness of accounting information. Furthermore, the number of detected errors in audit processes decreases, audit cycle duration is reduced, and the level of risk identification improves, significantly enhancing financial transparency and the quality of managerial decision-making within organizations.

The practical significance of this research lies in demonstrating that organizations can optimize financial management, allocate resources more efficiently, and mitigate financial risks within projects by strengthening institutional factors. Similarly, auditors and accountants can leverage institutional mechanisms to accelerate audit processes and enhance accuracy. The results clearly show that institutional factors constitute a solid foundation for financial management and audit quality in project-based economic environments.

From a scientific perspective, the study proposes a comprehensive approach to evaluating accounting and auditing systems within an institutional context. This approach contributes to the advancement of financial management theory in project-based economies

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and supports the improvement of auditing and accounting practices. Future research should focus on integrating digital technologies and advanced analytical methods to further explore the influence of institutional factors on financial outcomes. In this way, the results offer both theoretical insights and practical guidance, making them highly relevant for organizations operating in project-based economic settings.

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