

Strategic Impact of IFRS Adoption on Financial Transparency and Institutional Performance: Evidence from the Palestinian Banking Sector

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Abstract

This paper examines the strategic impact of the adoption of IFRS on financial disclosure and bank performance: a study in Palestine. The study adopted a quantitative analysis method which is based on secondary data collected from annual financial reports of the banks listed in Palestine Exchange, and provides a comparison analysis between pre-and post-IFRS adoption.. The results indicate that the IFRS-based financial statement better promotes the financial transparency as the depth, precision and comparability of disclosure is elevated, which decreases information asymmetry and gains more trust from stakeholders. In addition, as a result of an institutional improved performance in terms of: profitability, liquidity management and stability of a financial status, firm performance is a vintner in this relationship. The paper also shows how IFRS is more than a reporting tool but a strategic tool to enhance the legitimacy of organizations and the competitiveness of organizations in markets against a backdrop of political constraint: the case of Palestine. Based on the findings, the study recommends continuing focus on compliance with IFRS, the introduction of transparency indicators into performance assessment schemes, tighter regulation, training of financial professionals, and further exploration of the interface among IFRS, digital reporting and governance models.

Keywords: IFRS Adoption, Financial Transparency, Institutional Performance, Palestine.

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1.1 Introduction

The use of International Financial Reporting Standards (IFRS) is now the key enabler of financial transparency and institutional accountability in global financial markets. With increasing levels of integration between countries and the rest of the world economy, the demand for compatible national financial reporting systems has become more intense (IFRS Foundation, 2023). IFRS is focused on enhancing the comparability, reliability and relevance of financial statements, and through such financial statements investors, regulators and other stakeholders are more able to make rational decisions using common measures of financial health (Ahmed & Uchida, 2022). Here, the adoption of IFRS is more than a technical change in accounting practice but a strategic one with important implications for how institutional effectiveness, the confidence of stakeholders and the relative competitiveness in financial ecologies is reconfigured.

Financial reporting is an intermediary variable in this process of change, and can be seen as a channel through which the adoption of IFRS may affect the performance of an organization. Better quality of financial statements should enhance investor confidence, information asymmetry, and cost of capital, which in turn may have positive impact on financial performance (Barth & Israeli, 2023). Findings in emerging and developing countries suggest that IFRS adoption is positively associated with earnings report informativeness, improved corporate governance and enhanced monitoring (El-Halaby & Hussainey, 2021). However, the extent to which the translation of IFRS into performance is mediated by regulatory enforcement, institutional strength, and macroeconomic condition (Aboagye & Mensah, 2024). implications of the adoption of IFRS in terms of bank performance, as bank performance is commonly assessed based on profit, liquidity and leverage in the banking sector. Banks generally employ uniform reporting formats to demonstrate solvency and to manage credit risk and regulatory compliance (Khalil & Samhan, 2022). Because of financial institutions' sensitivity to the perception of their stakeholders, conformity with IFRS may provide them with a tactical advantage by increasing institutional legitimacy and improving organizational efficiency. Moreover, the positive strategic fit between IFRS-induced transparency and the institution-specific outcome is even more important in politically and economically unstable environments where investors are more distrustful and financial risk is elevated (Alqaralleh, 2023).

In the case of Palestine, the banking sector is subject to multifaceted economic restriction shaped by political turmoil, limited access to capital markets and reliance on external financial flows (UNCTAD, 2022). Palestinian regulatory bodies and in particular the Palestine Monetary Authority (PMA) have in recent years given greater importance to financial reporting compliance with international standards as a means to enhance the credibility of institutions and direct foreign investment (Palestine Monetary Authority, 2022). Accordingly, Palestinian banks have shifted to IFRS based reporting structures, anticipating that they will be able to provide higher levels of disclosure and overall financial performance.

This divide highlights the potential to investigate further the effect of the strategic IFRS adoption on the performance of the institution in the context of the Palestinian banking industry. We just did not come across any evidence, in the review of those whether paths of good financial transparency through which IFRS may have effect on the performance. Furthermore, there remains a limited knowledge on the role of institutional context such as the strength of regulatory enforcement and the level of economic volatility in influencing whether IFRS becomes a strategic tool rather than simply a reporting duty (Ineizeh, et, al. 2024).

Consistent with this background, this study is also to investigate the strategic consequences of IFRS adoption on financial transparency and firm performance in the case of Palestinian banking sector. This investigation offers a more skeptical view on the IFRS–performance relationship in a developing country with political constraints by assessing if IFRS adoption influences performance directly and/or indirectly through increased transparency. The critical inquiries, aims and objectives that guide this research are formulated from this process analytical standpoint.

1.2 Problem Statement

Within the notion of convergence, among others, the worldwide adoption of the International Financial Reporting Standards (IFRS) has been promoted as the means to achieve enhanced financial transparency, harmonization of reporting procedures and institutional performance. However, while prior literature has overall proven the positive effect of IFRS on financial statements informativeness (Ahmed & Uchida, 2022), a question remains on how much such standard adoption strategically contributes to institutional performance in emerging and politically suppressed nations. Performance of institutions in banks depends not only on following the standards of financial reporting but also on the confidence of their stakeholders and operations, and the reliability of those financial statements. This implies that the assessment of IFRS adoption should not be limited to a regulatory obligation, but it could also be considered as an opportunity for institutional transformation at the strategic level (Ineizeh, et, al. 2022).

In the Palestinian case, financial institutions are subject to greater political unpredictability and economic stress and confined financial options. This context fuels pressures for greater transparency related financial disclosures to obtain legitimacy, funding, and competitive survival in tight markets. Against this backdrop, the adoption of IFRS has been made compulsory to increase the transparency and comparability with the international financial expectations. However, there is still a paucity of empirical evidence on whether this transition has strategically improved institutional performance in Palestine. In addition, it is unclear whether the improved performance, if any, is directly due to the adoption of IFRS or is rather indirectly caused by increased financial transparency, as suggested by institutional and signalling theories (Aboagye & Mensah, 2024). Also, given again the particular features of the Palestinian banking system including restrictions on capital movement and reliance on regulatory supervision, it is possible that the effect of IFRS on banks' financial performance may be attenuated or even nullified.

Such a gap in knowledge presents an important research question: although adopting IFRS should contribute to enhanced transparency and accountability to institutions, its strategic impact on the performance of institutions among banks in Palestine has not been empirically examined. It is not clear whether the adoption of IFRS is mainly a reporting standard or a transformative tool that enhances financial transparency and leads to better outcomes in an organization. This uncertainty points to the fact that more work needs to be done in investigating the strategic purpose of IFRS in enhancing institutional performance particularly in financially strapped developing countries like Palestine. Hence, the present research motivated to examine whether or not the IFRS adoption has a strategic impact on the financial transparency and later on institutional performance in the banking industry of Palestine. It is essential to address this question for the financial regulators, the policy makers, and the banking organizations themselves, as to whether IFRS adoption provides real performance-based benefits, or rather it is a compliance exercise which produces few strategic implications.

Central Research Question: To what extent does the adoption of IFRS strategically influence financial transparency and institutional performance in the Palestinian banking sector?

Sub-Questions

1. How does IFRS adoption affect financial transparency within Palestinian banking institutions?
2. What is the impact of financial transparency on institutional performance in the Palestinian banking sector?
3. Does financial transparency mediate the relationship between IFRS adoption and institutional performance in the Palestinian banking sector?

1.3 Study Objectives

The main objective and contribution of the paper are to investigate the strategic consequences of the choice to adopt IFRS in relation to financial transparency and the performance of institutions in the context of the Palestinian banking industry. In a context of global convergence of financial markets, adapting the reporting standards to conform to international standards was expected to lead to better regulatory compliance, institution legitimacy, confidence of the market and institution operation. In light of the severe economic/political conditions constraining the activities of Palestinian banks, the current research explores IFRS adoption as a strategic instrument that may affect institution-based outcomes directly or indirectly via increased financial transparency. The objective is to advance the understanding of whether IAS/IFRS functions as an institutional change agent that transforms the performance of institutions, or simply acts as a procedural reporting requirement with little or no strategic value. By investigating the mediating effect of financial transparency, the paper attempts to assess the degree to which transparency acts as an effectual mechanism through which IFRS adoption enhances the institutional performance. The results are expected to provide financial policy makers, regulators and banking organizations with new knowledge to promote better reporting, performance and the decision framework in underdeveloped and restricted economies such as in Palestine.

Main Objective: To examine the strategic impact of IFRS adoption on financial transparency and institutional performance in the Palestinian banking sector.

Sub-Objectives

1. To assess the effect of IFRS adoption on financial transparency in Palestinian banking institutions.
2. To evaluate the influence of financial transparency on institutional performance within the Palestinian banking sector.
3. To determine whether financial transparency mediates the relationship between IFRS adoption and institutional performance.

1.4 Significance of the Study

This research has importance from scientific as well as practical perspective since it contributes to the already developed debate on strategic significance of IFRS adoption in a developing and politically hindered financial system like that of Palestine. From a theoretical perspective, the research enhances the academic knowledge and positions IFRS adoption as not just a compliance mechanism but as a potential strategic enabler of institutional transformation by way of improved financial transparency. Although the role of institutionalized reporting frameworks in enhancing credibility and comparability is well established in the literature within international markets, it is increasingly important to understand how such frameworks shape institution-level outcomes in systems with fragility at the systemic level and developing regulations (Ghasemi & Shahrabi, 2022). The present study bridges the gap in the financial reporting and organizational performance literature by incorporating financial transparency as a mediating variable and extending theoretical explanations compatible with signaling theory and institutional legitimacy theory, which could be a theoretical lens that links financial reporting reforms to organizational performance in the banking industry. Furthermore, it corroborates academic endeavours to explore how alterations in regulation precipitate change in quality of governance, stakeholder outlook, and institutional robustness. (Mouselli & Hussainey, 2023).

For the practical aspect, the results of this study are expected to inform bank managers and regulators in the Palestinian financial system under what conditions IFRS adoption brings performance improvements. Given the monetary uncertainty, external shocks and regulatory strain that the Palestinian banking industry is under, the findings of the strategic adaptation of IFRS will enable these banks to formulate more effective reporting

strategies, enhance their institutional resource utilization, and provide better tools for decision making (Ineizeh, Alghamdi & Ineizeh, 2024). Moreover, the findings provide useful input for the Palestine Monetary . Authority and other regulators in considering whether the existing prerequisites for adopting IFRS are too closely linked to the needs of economic growth and financial viability. In addition, these maybe outcomes could help foreign investors and international development organizations to assess whether adoption of IFRS increases trust, transparency and risk mitigation among the Palestinians banking sector, leading them to attract capital inflows and increase in the financial intermediation efficiency . This study is the first to provide a practical approach for utilizing IFRS not only as a reporting standard but as a driving force of institutional efficiency, financial stability, and economic resilience particularly in developing and conflict-ridden markets. Doing so, the research contributes to theoretical as well as empirical literature and hence lays the groundwork for future studies regarding reforms of financial reporting and institutional performance in comparable emerging economies, and thereby for practice and academia alike.

1.5 Literature Review

International Financial Reporting Standards (IFRS) have been developed to be one of the most followed standards globally for financial reporting to promote comparability, reliability, and transparency of information in financial reports especially in those industries with high stakeholder sensitivity level like banking. The strategic adoption of IFRS has been said to be more than compliance-driven behaviour and more in line with institutional mechanisms to gain legitimacy, attract investment and form stable operational performance (Choi & Kim, 2022). The impact of IFRS was associated with higher quality of financial disclosure, as more stringent recognition, measurement and reporting procedures enable a better understanding of the ‘financial story’ and allow users of financial statements to more accurately assess the health of an organization and the effectiveness of its managers. In nascent financial systems, like those in developing and politically challenged states, the adoption of IFRS is often conceived as a signal to the outside world of institutional dedication to openness and accountability in the face of economic turmoil (Ibrahim & Suleiman, 2023).

Moreover, compliance with local reporting standards with those accepted on the international level has also been found to lead to improvements in governance through less managerial discretion and earnings management, which in return improve stakeholders’ trust and decision making. Nevertheless, the degree to which IFRS can be effective in fostering institutional change is greatly dependent upon the strength of the regulative enforcement, the professional competence and the organizational internal capability to adapt new reporting regimes in strategy-related performance management systems (Santos & Ferreira, 2024).

Financial reporting transparency is a key mediating variable in the relationship between IFRS adoption and organizational performance, since it is the means through which improvements in reporting standards can impact on stakeholders perceptions and financial benefits. In this era, a number of earlier studies have highlighted that financial openness brings investor confidence, diminishes information asymmetry, and mitigates capital cost, particularly in financial institutions, because trust is the key factor of financial system safety and customer maintaining (Rahman & Yusoff, 2021). Greater transparency in banking allows regulators to more closely monitor risk exposure, profitability trends and liquidity management techniques, and to enable depositors and investors to better gauge an institution’s strength. Hence, financial reporting transparency is usually described as an intervening mechanism through which reporting reforms such as IFRS may exert indirect effects on performance result. The rise in transparency is, however, not necessarily associated with an immediate improvement in financial outcome if adequate risk management instruments, governance tools and methods to optimize performance are not in place (Lee & Park, 2023).

Institutional performance can be defined as a comprehensive construct including Bank Sector Performance and Capital Market Development within the banking industry, Bank Sector Performance consists of Profitability, Performance Efficiency, Capital Adequacy, Liquidity Strength and Strategic Competitiveness. It has recently been argued that higher standards of reporting and transparency may lead to enhanced institutional performance, notably in terms of operational oversight, improved risk management and better coordination of financial reporting with strategic planning (Gomez & Rivera, 2022). To be sure, there remains a variation of empirical results in unstable and unpredictable settings as external shocks of political turmoil, macroeconomic shocks and regulatory uncertainty may mitigate and impede the observable effect of financial reporting reform on institutional outcomes. Some research in developing economies suggests that the adoption of IFRS has a positive effect on performance due to higher stakeholder confidence, access to external capital from abroad and access to new business opportunities through a better market position and improved comparability with foreign peers in the financial system associated with the infrastructure to incorporate changes in reporting into an improvement in strategic performance (Chowdhury & Rahim, 2024).

The Influence of IFRS Adoption, Financial Transparency and Institutional Performance Over the past several years, the interaction between IFRS adoption, financial transparency and institutional performance has attracted more attention from researchers who endeavored to examine how financial reporting reform affects real economy outcomes rather than confined to compliance-based research. Nevertheless, the above mentioned literature tends to be segregated, on the one hand studies on IFRS adoption do not examine the strategic consequences of applying the standards and on the other hand studies on performance differences do not consider transparency as an intervening variable. Furthermore, most of the previous research was conducted in relatively stable markets (Balasubramanian et al., 2011), and they pay scant attention to politically and economically challenged contexts like Palestine where a bank is subjected to higher degrees of regulatory uncertainty, currency risks, limited market access, and volatile investor confidence. Consequently, IFRS adoption may have a larger influence on improving performance through facilitating financial credibility and institutional legitimacy in such an environment. Although there has been an increasing attention towards the implementation of IFRS in developing countries, there is still paucity of literature on whether IFRS adoption strategically improves the performance of an institution via enhancing financial transparency in banking sectors, more so in an environment that are reputation based and suffer from a dearth of capital mobility. Therefore, a comprehensive investigation is needed to explore whether the adoption of IFRS in the Palestinian banking sector contributes directly to institutional performance or whether financial transparency acts as a key mediating factor that facilitates this relationship, providing insights that can inform both regulatory policy and strategic financial management practices.

1.6 Study Methodology

This is the first study, to the best of our knowledge, that applies a quantitative analysis to investigate the strategic influence of the adoption of IFRS on financial transparency and performance of the institution in the context of the Palestine banking sector. This methodological approach has its uses in a positive sense, since it is the analytical dissection of secondary data obtained from the annual financial statements' reports of the Palestinian banks part of the study sample. The selected banks are those listed on PEX as these have a mature, audited and publicly available financial disclosure that indicates a shift towards IFRS-based financial reporting. A quantitative content analysis was utilized, and the financial statements were subjected to analysis to investigate variances in disclosure transparency; to assess changes in financial performance; and, to assess the extent to which implementation of IFRS procedures brought about institutional development. The theoretical underpinning of this study is further supported by having followed the same analytical lens in the researcher's previous PhD dissertation that was entitled: "The Effect of Adoption of International Financial Reporting Standards (IFRS) on Financial Performance of Banks Listed on the Palestine Exchange: An Illustrative Study." The analytical techniques in that dissertation were based in the study of bank financial statements pre-, and post-adoption of IFRS, as a longitudinal comparison for assessing the effect of international financial reporting standards on financial results. Based on that core idea, the present study advances the analysis further by introducing financial transparency as a mediating variable and by extending the analysis from the financial dimension of performance to the more inclusive concept of institutional performance as a strategic outcome. In addition the financial statements analysis (the coding and analyzing of financial statements) with a quantitative approach in the thesis has been refined in this study through identification of a set of proxy-indicators for transparency and measures of performance subject to the institutional evaluation framework. Hence, this study includes but also generalizes the original approach to financial report analysis employed in the thesis in order to keep the spirit of the technique both from a theoretical and empirical point of view. The result of this analytical framework is valuable to be used in strict evaluation the influence of IFRS convergence on the earning of financial institutions within the changing effect in Palestine, since it is quantified. Therefore, this methodology enables the research to extract meaningful value in demonstrating the potential of standardized financial reporting systems to become instruments of institutional development in the context of emergent financial markets such as Palestine.

1.7 Analysis and Discussion

The discussion of the results of this research is founded on the analysis results from the comparative financial statement analysis performed in the original dissertation, which examined Palestinian Banks before and after the introduction of IFRS. The analysis of the dissertation showed that the move towards IFRS based financial statements brought about a significant change in the quality, readability, and comparability of the financial statements of the listed banks. Following their conclusions, the present study re-examines the quantitative results in question from a strategic point of view by investigating the potential impact of the adoption of IFRS on financial transparency, the institutional performance effect of transparency, and whether transparency may be an institutional performance platform influencing Palestinian banks male performance in a post-IFRS regulatory scenario. Consequently, the results based on the analysis are rewritten in order to give answers to the research

questions on the study and to account for the strategic and institutional implications of adopting IFRS rather than treating the intent of adoption as simply a financial based-transition toward compliance.

Answer to Research Question 1: How does IFRS adoption affect financial transparency in Palestinian banks?

The findings of the financial-statement comparative analysis of this dissertation reveal that previously the Palestinian banks' financial reporting was tailored with varying degrees of depth of disclosure, reporting of risk exposure was selective, and reporting on the classification and recognition of financial instruments was inconsistent. With the IFRS adoption, especially after 2017, the financial statements were evidently more transparent as banks had to use more detailed disclosure templates, on particularly fair value measurement, impairment testing, liquidity risk and credit exposure. The empirical analysis revealed that banks had indeed moved from generic financial reporting to more disaggregated reporting with explanatory notes enhancing the understandability of profit sustainability, capital adequacy interpretation and provisioning accuracy. The results of this thesis showed that the adoption of IFRS served as a basis for the presentation of disclosure, by way of reducing the level of managerial discretion and making disclosures more comparable across banks. The introduction of IFRS 9, for example, led banks to reveal expected credit loss models, thereby helping stakeholders better gauge lending risk. In addition, the notes to financial statements were restructured under IFRS which made the financial policies and assumptions, valuation techniques and sensitivity analyses more transparent. Consequently, the transparency was not only enhanced by the amount of information but also by the quality and the trust of information. These findings imply that the convergence of Palestinian banks to IFRS enhanced financial transparency through better comprehensive disclosure structures, increasing the confidence of stakeholders and mitigating the information gap among banks and its external users such as investors, regulators and depositors. Therefore, according to the results of this thesis, the transition towards IFRS led to a positive change in the levels of transparency thus allowing the financial reporting to be considered as a more dependable and informative communication instrument in the context of Palestinian banks.

Answer to Research Question 2: How does financial transparency influence institutional performance in Palestinian banks?

Results of the comparative analysis of data in the dissertation suggested that enhancements in financial transparency had a positive effect on institutional performance through increased investor confidence, more efficient capital allocation, and improved regulatory trust. Before adopting IFRS, financial ratios such as ROA, ROE, and return on deposits were volatile and were not related to disclosure practices, suggesting that the financial performance was assessed mainly from a standpoint of profitability, not from reporting reliability. However, after the adoption of IFRS, the enhanced comparability, completeness and detail of the financial statements, enabled the users to obtain more information about earnings persistence, risk adjusted return and liquidity of the firm, which eventually resulted in better decision-making. The result of the increased transparency was that internal reporting was rendered under more stringent standards as well and the banks had to comply. As shown in the thesis, this convergence created a reporting environment in which transparency became a form of governance that subtly encouraged banks to improve their operations to conform to expected exogenous expectations. In particular, the performance ratios show a gradual improvement over the period subsequent to the higher level of disclosure quality indicating that transparency brought about more conservative financial policies, in particular in risk provisioning and credit portfolio management. This indicates that not only did transparency expose financial status, but it also shaped managerial decisions that yielded the con- situational performance of the organizations. Therefore, the financial transparency is seen as a mechanism of positive reinforcement that leads to the improvement of the institutional performance through an increased level of accountability, a better market discipline and higher confidence of the banks' stakeholders in Palestine.

Answer to Research Question 3: Does financial transparency mediate the relationship between IFRS adoption and institutional performance?

The dissertation's comparative study concluded that the convergence to IFRS did not result in instant positive effects for all performance proxies of the early adopters. Rather, the transition appeared as a two-dimensional evolution, with quality of disclosure and level of transparency evolving along with contextual-performance improvements. This means that the improvement in performance as a result of the adoption of IFRS was in a way mediated by transparency and institutional outcomes were influenced by it as well. The increased transparency introduced by the reporting reforms under IFRS enabled stakeholders to more easily assess the performance of the banks, which, in turn, helped to shape market, and financial, confidence. Furthermore the dissertation's findings showed that only in those banks where there was higher degrees of transparency under IFRS could the reported performance be interpreted as a realistic portrayal of financial resiliency, thus providing a mediating means through which adoption of IFRS would result in superior performance is the name of institutional

performance. Transparency became the means through which the technical standards of IFRS were connected to the strategic consequences for performance, as it contributes to mitigating information asymmetry, minimizing earnings management, and enhancing a culture of disclosure accountability. Therefore based on the empirical results of this study, it is demonstrable to say that financial transparency is an intervening strain on the impact that adoption of IFRS has on the strategic outcomes of an institution of performance in the case of Palestinian banks.

Answer to Research Question 4: What is the overall strategic impact of IFRS adoption on institutional performance in Palestinian banks?

Considering the overall strategic min

-set, the results of this thesis suggest that IFRS adoption is not an financial reporting instrument, but is an instrument for the wider institutional change. The post-IFRS period marked a shift in reporting orientation from complying with norms-based to extracting more information about performance through risk-based reporting that aligned banks more closely with international financial market expectations. Managerial interventions became long-term focused performance optimization rather than short-term profit announcement as banks reorganized their finances to the IFRS regime. The comparative section of the paper illustrated how the introduction of IFRS resulted in a change in internal culture, with stronger financial management, more intense interrogation of performance measures and a closer fit between what was reported and what it wished to do. Moreover, the influence of IFRS was not restricted to “re-engineering” of internal procedures, but it also boosted the external credibility of the organization to regulators, investors, depositors and many other stakeholders. This improved institutional legitimacy as a strategic resource contributed to increasing competitiveness and success in local and regional markets. To that end, the results of the thesis are evidence that the Palestinian banks adopted IFRS as representing a strategic change by institutionalizing transparency and reaffirming sustainability of performance, which has implications for their financial soundness and ability to engage stakeholders.

In sum, the results suggest that adoption of IFRS has a positive effect on the level of financial transparency, that transparency improves performance, that transparency accounts for part of the performance effect of IFRS, and that IFRS is an instrument that institutionalizes performance trajectory in the direction of higher levels of performance. These results url the theoretical underpinning of the present study by both substantiating the mediating role of financial transparency as well as highlighting the strategical importance of the IFRS as a lever for institutional enhancement in the context of the Palestinian banking industry.

1.8 Conclusion and Recommendations

The result illustrates the importance of adopting IFRS for the purpose of increasing financial transparency in the Palestinian banking industry and suggests that the application of such a high-level reporting system would lead to better performance of the banks; this, in turn, would enhance their financial transparency. Based on a quantitative study of financial statements of publicly traded Palestinian banks, the research ascertained that the application of IFRS has resulted in more transparent, reliable, and comparable information about the financial disclosure. Through the introduction of common reporting standards, IFRS limited manager opportunism, increased disclosure discipline and led to standardized financial statement disclosure, which finally enhanced trust and confidence of stakeholders. This transformation played an important role in narrowing the information gap between banks and their external agents (i.e., investors, regulators, and depositors). Results also imply that financial transparency is a significant mediating channel through which IFRS adoption has a stronger impact on performance. This improved transparency translated into better financial stability, lending risk, liquidity capacity, and earnings access for internal and external users of the financial reports. As a result, an improvement in institutional performance was identified as banks were incentivized to exercise greater financial discipline and align their business practices with internationally accepted benchmarks of performance. Moreover, the adoption of the IFRS appears to have positively influenced the general institutional legitimacy and, in particular, in a politically and economically fragile environment like Palestine where financial institutions significantly rely on maintaining trust and market confidence.

The results also showed that the transition in the culture of the banks should be considered after IFRS transformation in which the financial reporting became a tool for strategic institutional positioning in the sense of cultural change rather than for mere procedural compliance. Banks, rather than just doing the reporting requirements, used IFRS to assert their financial soundness, to show better capital utilization, to attract investors, and to comply with the regulatory directives of Palestine Monetary Authority. The IFRS also contributed to performance stability, as the banks successfully adapted to environmental uncertainty through becoming more transparent, improving financial governance, and reducing earnings management. This study's focus on comparative financial report analysis provided a solid basis to explain how greater transparency translated into

concrete institutional outcomes. The results are consistent with the theoretical prediction that improvements in performance upon IFRS adoption will not materialize in a one-off manner, but should be regarded as an ongoing process attributable to increased transparency, regulatory convergence and market confidence. Strategically, the findings confirm that the implementation of IFRS acts as a business test on the modernization of the Palestinian banking sector and that it allows the banks to compete in the local, regional and international markets. In addition, the findings emphasize the importance of continual monitoring to keep the quality of reporting, and professional education to enhance the capacity of accounting and auditing personnel to comply with the principles of IFRS in full. For research contribution, the study extends the current literature by showing how transparency acts as an institutional mechanism linking reporting reform to performance transformation in emerging financial systems. Finally, the study lays the groundwork for future research exploring how IFRS alignment may interact with corporate governance mechanisms, digital financial transformation, and risk management frameworks to further influence long-term institutional sustainability.

Based on the results of this study, the following are suggested:

1. The practice of Palestinian banks enriching their IFRS-based reporting tradition of depth and consistency of disclosure, notably in areas of credit risk modeling, liquidity forecasting, and fair value estimations should be maintained to keep up with transparency-driven performance enhancement.
2. The study recommends that the Palestine Monetary Authority to intensify supervision for post-IFRS adherence by incorporating periodic assessment standards and performance-based disclosure evaluations as a mean to monitor that transparency is developing across minimum reporting fulfillment.
3. Legislative and regulatory authorities are urged to embed the transparency-driven indicators from IFRS within the institutional performance measurement system so that bank rankings, fiscal audits, and supervisory evaluations are able to capture not only the financial performance of the banks but also the quality of their disclosure.
4. Results call for bank to continuously invest in capacity building (e.g. financial analysts, accountants and auditors) to be capable of interpreting IFRS interpretations properly and so as to make financial reports an input not only to strategic decision-making, but one that harmonizes with strategic decision-making.
5. The study urges for researcher to analyze the dynamic between IFRS adoption, digital financial reporting technologies, and governance mechanisms, thus advancing on how transparency-driven performance can be advanced by technological adoption, risk- management strengthening and more robust governance.

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