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IFRS Adoption and the Posthuman Economy: Financial Reforms, FDI, and Economic Growth in MENA Countries

Musatfa Rasim AL-Tuwaijari[1], Mara Ridhuan Bin Che Abdul Rahman[2], Azlina Ahmad[3], Ruzita Abdul Rahim[4]

Abstract

The research aims to assess the impact of IFRS adoption on economic growth in MENA countries, and further, it aims to investigate the role of the mediating variable FDI in the relationship. The study sample consists of 22 countries in the Middle East and North Africa region during the period 2002-2022. The study reviews the empirical results of the variables of the study using the OLS, DOLS, FMOLS, GMM, and LSDVC. The findings of the study show that countries that have adopted or are gradually implementing IFRS are likely to have higher levels of GDP. The study also finds that there is a positive relationship between the adoption of IFRS and the increase in FDI inflows. This rise is an important factor in improving economic development. Hence, there is a positive relationship between the adoption of IFRS and economic growth, with other influential factors such as FDI. This study adds value to the literature regarding the effects IFRS on economic growth and the existence of factors that may enhance economic growth with the help of FDI in the relationship to assist governments in making their future decisions. The results of this study reveal that accounting should be taken into consideration to enhance economic growth through the adoption of IFRS as a way of creating a better environment for the attraction of FDI.

Keywords: *IFRS Adoption, MENA Countries, Economic Growth, FDI.*

Introduction

Increasing economic growth is the goal of any country and previous experiences of developed countries around the world have shown that FDI is one of the most important sources that promote economic growth (Gordon et al., 2012a). IFRS adoption has been identified as a major contributing factor to improving financial reporting quality, one of the most important benefits of adopting IFRS is the provision of clearer, more comparable financial data, which is considered more reliable for decision-makers. It is also characterized by providing benefits to investors by opening the opportunity for investment competition for countries that adopt IFRS as well as facilitating the development of global trade, the results of which all contribute to the promotion of economic growth (AL-Tuwaijari et al., 2024; Zaidi & Huerta, 2014a).

Evidence from past studies suggests that IFRS adoption leads to an increase in the transparency of financial data, reduces information asymmetry, and increases the quality of financial statements, which leads to an increase in FDI flows and thus increases economic growth (Nejad et al., 2018; Oppong & Aga, 2019) Previous studies have found that IFRS adoption is positively

[1] Email: P104659@siswa.ukm.edu.my
[2] Email: Mara@ukm.edu.my
[3] Email: azlina@ukm.edu.my.
[4] Email: ruzitaar@ukm.edu.my

associated with FDI flows (Nejad et al., 2018a; Siriopoulos et al., 2021). Studies also found that this effect varies from one country to another and from one region to another (Lupton, 2021). Additionally, a country's institutional quality has been identified as an important factor attracting FDI inflows (Cieślik & Hamza, 2022a; Owusu et al., 2017a). Studies also found that FDI inflows improve economic growth (Owusu et al., 2021).

The adoption of IFRS is no longer a purely regulatory or economic choice, but it is now a strategic imperative for survival in a world in which financial decisions are made by machines, not humans, As financial markets move towards algorithmic trading and blockchain-based governance, and algorithmic trading powered by AI, standardized financial reporting frameworks like the IFRS becomes crucial to integrate with the automated global financial networks (Alanazi, 2025a; Chernysh et al., 2024; Moloi & Obeid, 2024). Without IFRS adoption, non-compliant countries may face reduced access to AI-powered capital allocation systems, as investment algorithms prioritize jurisdictions with transparent, machine-readable financial data (Alanazi, 2025a, 2025b; Chernysh et al., 2024).

There is a great trend towards adopting IFRS to support and reform the financial, economic, commercial, and institutional systems. MENA is short for Middle East and North Africa which consists of (Iraq, Saudi Arabia, Jordan, Bahrain, UAE, Oman, Yemen, Syria, Kuwait, Palestine, Lebanon, Qatar, Iran, Israel, Egypt, Tunisia, Morocco, Libya, Mauritania, Sudan, and Algeria). These countries are known to be rich in natural resources. Despite the advantages of the MENA countries, a significant decline in FDI flows to them is observed (AL-Tuwaijari et al., 2025) Figure 1. Shows FDI flows in the world compared to MENA countries.

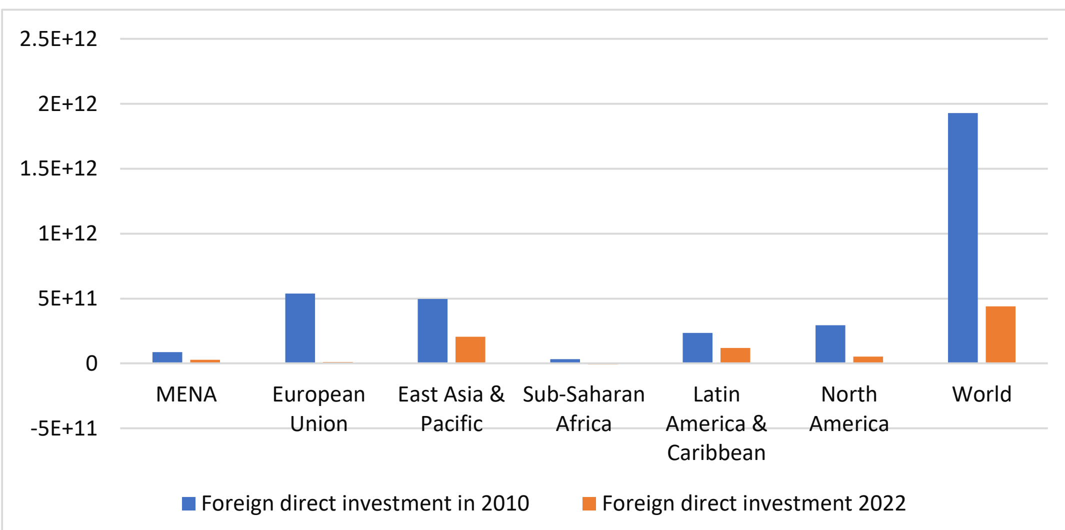


Figure 1: Level Of FDI Flows Compared to Other Countries Around the World

Source: The Word Bank (2022)

The MENA region is making an effort to attract more FDI. IFRS adoption is one such effort. However, FDI inflows and economic growth in MENA countries remain relatively low compared to other countries in the world. Therefore, This study aims to explore the impact of FDI inflows as a mediating variable between IFRS adoption and economic growth.

MENA countries boast many natural, geographical, regional, and cultural advantages, as well as diverse economic levels. This makes them highly attractive for foreign investment. Although few studies have been conducted to highlight the region's advantages (Cieślik & Hamza, 2022a; Mameche & Masood, 2021a; Siriopoulos et al., 2021).

Given the interest of governments, decision-makers, and foreign investment visionaries in the need for more studies on the impact of adopting IFRS in MENA countries, this study presents a broader and more comprehensive concept of the most important economic effects resulting from adopting IFRS in MENA countries.

Literature Review

IFRS And Economic Growth

Zaidi & Huerta (2014) examine the relationship between IFRS adoption and economic growth in 102 countries in 2007. enforcement was used as a moderation variable, while institutional quality indicators and FDI flows were control variables. The study found a positive relationship between IFRS adoption and economic growth in countries that have adopted IFRS. (Doç & Özcan 2016) also examine the effect of adopting IFRS on economic growth in 70 countries, 41 of which adopt IFRS, and 29 did not adopt IFRS from 2005-2015. FDI, political stability education level, enforcement level, financial development, and trade openness, were used as control variables. The study found a positive relationship between IFRS adoption and economic growth.

Ugwu & Okoye (2018) examines the influence of IFRS adoption on economic development in three African countries which are Nigeria, Ghana, and South Africa from 1999-2015. The study established a positive association between FDI and economic growth in both Nigeria and Ghana, while there was a negative association between FDI and economic growth in South Africa. The study also showed a negative association between IFRS and economic growth in Nigeria while there was no clear association between IFRS and economic growth in Ghana and South Africa.

The adoption of acceptable standards with advantages through which it is possible to mitigate the financial problems that exist in global markets such as improving transparency, accounting quality, disclosure, corporate governance, capital market efficiency as well as reducing the cost of capital and information asymmetry. Evidence from past studies have shown that adoption of international standards can help mitigate most of these problems (Leuz and Verrecchia 2000; Jermakowicz 2004). As such, IFRS has become widely accredited in developed countries, especially because IFRS is considered more accurate in preparing and presenting financial statements that were lacking in IAS. Then the adoption of IFRS began in developing countries, where these standards were expected to help provide solutions to most of the previous problems (Ugwu & Okoye 2018). However, studies on the influence of IFRS adoption in developing countries are limited and have resulted in mixed findings. Hence there is a need to carry out specialized studies that show the extent of the impact of adopting IFRS on the economic side in developing countries (Nejad et al., 2018b).

One of the most prominent problems that can be highlighted is the study of the effect of IFRS adoption on economic growth. Despite very few studies in this field, there are studies on the impact of IFRS dependence on market liquidity, share price, spread of supply and demand, and accounting quality, among other things. These factors influence the efficiency of capital markets, which then influence the economic growth of a country (Zaidi & Huerta 2014).

In the study of the relation between IFRS adoption and economic growth, there are different results. While Zehri and Abdelbaki (Doç & Özcan 2016; Matthew Yaw Owusu et al. 2021; Oppong & Aga 2019; Wolla 2017; Zehri & ABDELBAKI 2013) (Zehri & ABDELBAKI 2013) found a positive relationship between the IFRS adoption and economic growth, (Holger & Hail 2008) and (Zaidi & Huerta 2014) found a negative relationship between IFRS adoption and economic growth. This makes it necessary to shed more light on this issue by conducting more studies according to countries and other variables that increase economic growth.

MENA countries provide an interesting background to revisit this issue because of the abundance of natural resources such as cultural interdependence, oil and gas, and the strategic location. Additionally, countries in the region differ in terms of level of income, which are high-income and middle-income countries. Despite this, most of these countries suffer from low levels of economic growth, poor infrastructure, and low FDI flows. In line with past studies, this study expects IFRS adoption to improve economic growth in MENA countries.

H1: IFRS adoption is positively associated with Economic Growth.

IFRS Adoption and Foreign Direct Investment

Information asymmetry plays a significant role in influencing investment decisions, making it one of the challenges facing external investors. This obstacle can be said to become almost non-existent after adopting IFRS, by improving data quality, IFRS addresses this problem, making it comparable. This is crucial to reducing information asymmetry (Mohammadrezaei et al., 2015). Thus, the important role that information asymmetry plays in FDI becomes clear, as investors need comparable data that is clear and reliable, and this provides a greater opportunity for investors to make their decisions more clearly and accurately (Nejad et al., 2018b).

Furthermore, a country's commitment to adopting IFRS is considered an indicator of strong institutions and economic reform for FDI. Adopting IFRS reduces the financial costs that are calculated by local accounting systems, which provides more opportunities for investment and makes it easier. Previous studies, such as (Cieślik & Hamza, 2022b; Gordon et al., 2012b; Jayeoba O O et al., 2016; Nejad et al., 2018b; Owusu et al., 2017b) The positive relationship between IFRS adoption and FDI attraction.

Previous studies have also highlighted the role of IFRS adoption in improving governance, financial accountability, and institutional reforms, particularly in developing countries. These improvements address economic and financial challenges, boosting foreign investment confidence and potentially boosting FDI flows (AL-Tuwaijari et al., 2025; Nejad et al., 2018a; Owusu et al., 2017a). While studies by (Mameche & Masood, 2021b; Nnadi & Soobaroyen, 2015; Zouita et al., 2019) indicates a negative relationship between the adoption of IFRS and FDI.

Finally, Accordingly, this study expects a positive relationship between IFRS adoption and FDI flows, as in hypothesis (H2):

H2: IFRS adoption is positively associated with FDI.

Most previous studies have focused on the effects of adopting IFRS in developed countries, while few studies have examined these effects in developing countries (Alsheikh et al., 2021), especially since decision-makers in developing countries need a greater understanding of the economic characteristics that accompany the adoption of IFRS and its impact on increasing economic growth. According to the previous hypothesis, as discussed above, adopting IFRS could lead to an increase in FDI. Therefore, there are very few studies that demonstrate the relationship between IFRS adoption and economic growth in developing countries (Matthew Yaw Owusu et al., 2021b; Zaidi & Huerta, 2014b), and there are almost no previous studies on the influence of IFRS adoption on economic growth through FDI as a mediating variable in developing countries. Therefore, this study suggests that IFRS may positively impact economic growth by increasing FDI flows, as stated in Hypothesis (H3):

H3: FDI mediates the relationship between IFRS adoption and Economic Growth.

Research Method

Data and Variables

This study uses MENA countries, which consist of 22 which include Jordan, UAE, Bahrain, Tunisia, Algeria, Oman, Palestine, Qatar, Kuwait, Saudi Arabia, Syria, Iraq, Lebanon, Libya, Egypt, Morocco, Yemen, Iran, Israel, Sudan, and Mauritania. The countries of the MENA region enjoy a strategic location and great economic influence in the world. One of the justifications for choosing these countries is that they are developing countries interested in economic growth, and therefore the IFRS adoption by any country is an important requirement that must be included in the tasks of the administrations of these countries. IFRS has been adopted in all countries of the MENA region, with the exception of Sudan and Mauritania. However, these two countries were not removed from the sample.

This study aims to provide a comprehensive understanding of the interaction between IFRS and their impact on FDI and economic growth. To ensure the accuracy and reliability of the analysis, this study relied on the World Bank to collect data on both FDI and economic growth from the World Bank. These indicators are a solid foundation for assessing the economic environment across countries and regions.

The year 2002 marked a significant transition for IFRS. The Norwalk Agreement between the IASB and FASB was a significant achievement, aligning IFRS with the U.S. standard (GAAP). This collaboration resulted in a remarkable scientific adherence to harmonizing accounting standards (Hail et al., 2009).

To analyze all differences between the study variables, time series data from panel data for the period (2002 to 2022) were used. Table 1. Explain the variable description, measurement, and source of data.

Variables	Measurement	Source
IFRS(DUMMY)	Dummy variable is equal to 1 if a country has adopted IFRS; 0, otherwise	IASB (2016)
IFRS(LEVEL)	A score measured on a 0–6 scale	IASB (2016)
GDP growth	Gross domestic product growth	The World Bank
FDI	Foreign direct investment, net inflows (BoP, current US$) and net inflows (% of GDP)	The World Bank

Table 1. Variable Study

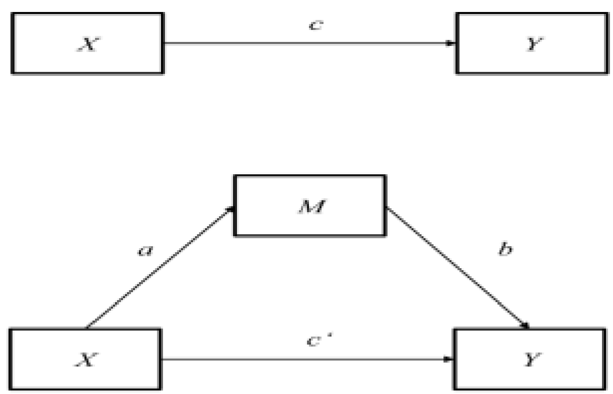
FDI and economic growth share many influencing factors, as previous studies have indicated (Abdul Bahri et al., 2019b; Emalirita and Akando, 2017; Matthew Yaw Owusu et al., 2021; Nejad et al., 2018a; Oppong and Agha, 2019; Zaidi and Huerta, 2014). Therefore, the control variables are: level of development, education level, inflation, trade openness, and savings.

Thus, this study develops a comprehensive framework of the IFRS adoption, FDI and economic growth dynamics based on these theories. While Signaling Theory concentrates on how IFRS tells investors about trust and credibility, Institutional Theory stresses the role of governance and regulatory quality in order to get the most out of IFRS. Prior research has also employed Agency Theory to complement these perspectives by explaining the internal mechanisms of accountability and transparency that are crucial to efficiency and growth. The National Competitive Advantage Theory explains the function of the IFRS adoption in attracting FDI and increasing economic growth as one of the mechanisms of enhancing national competitiveness.

Empirical Methodology

Testing Mediating Relationship

In the fifth hypothesis, this study hypothesizes that FDI mediates the relationship between IFRS and economic growth. Generally, mediation is a variable that is equivalent to the independent variable, however, it sits in the middle between the two independent variables and the dependent variable on the one side and the other side mediates the relationship between the two variables and the effect that remains on the dependent variable and describes the relationship and explains it. (Edwards & Lambert 2007; Namazi & Namazi 2016; Nejad et al. 2018). Figure 2, which is denoted by Barron and Kenny 1986; Rucker et al. 2011 displays a basic mediation model.



In figure 2, X is the independent variable, Y is the dependent variable, and M is the mediator, which captures the indirect effects of the mediator on Y through a and b, linking M with Y, and c', the direct effect of X on Y with the mediating effect.

According to (Baron & Kenny, 1986), there are three steps to test a mediation relationship. First, there must be a significant relationship between the independent variable (X) and the mediating variable (M). Second, there must be a significant correlation between the independent variable (X) and the dependent variable (Y). Third, a significant c coefficient can be considered as a necessary condition for testing mediation because without a significant c, the causal steps approach leads to the conclusion that an indirect effect is not present because there is no overall mediating effect. In the third step, however, the intermediate variable (M) must be considered to be highly correlated between the independent (X) and the dependent variable (Y). The following regression equations are estimated through the above three steps.:

$$Y = \varphi + c X + \varepsilon \qquad \text{(a)}$$

$M = \varphi + a X + \varepsilon$ (b)

$Y = \varphi + C'X + b M + \varepsilon$ (c)

According to (Fairchild et al. 2009; Livingston & Haardörfer 2019). If there is a significant indirect effect, a and b, but no more direct effect of X on Y, c' state whether the mediator perfectly, completely or fully mediates the effect from X to Y.. Therefore, the schematic model for testing the hypothesis of this study can be depicted and the models are estimated as follows:

economic growth = $\varphi + c\ (IFRS) + \varepsilon$

economic growth = $\varphi + a\ (IFRS) + \varepsilon$

economic growth = $\varphi + C'(IFRS) + b$ (FDI) + ε

As stated by Namazi and Namazi (2016), the mediating variable can take the form illustrated in Figure 3.

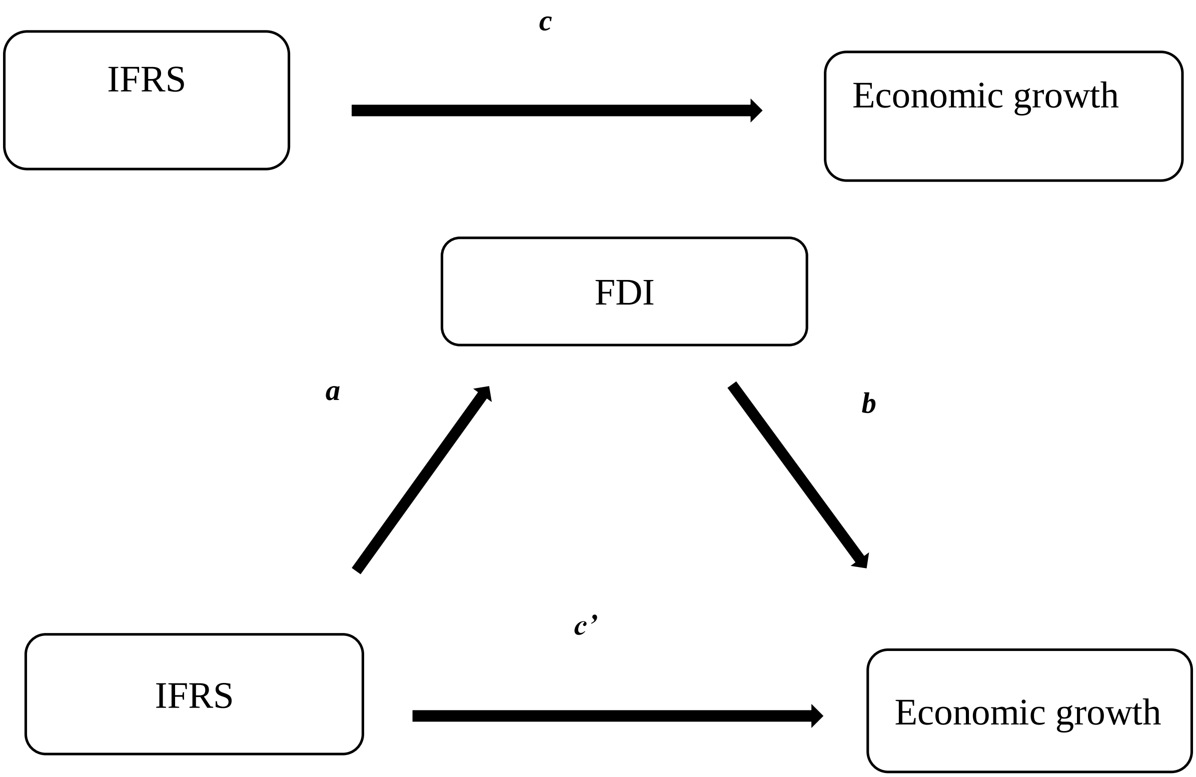


Figure 3. Schematic Model for Testing Mediation Hypothesis

Testing the Relationship between IFRS Adoption, FDI, and Economic Growth

The study uses six models to demonstrate the relationship between the study variables as follows:

Model 1a

$$EG_{i,t} = \beta_0 + \beta_1 IFRS\ Dummy_{i,t} + \beta_2 TO_{i,t} + \beta_3 Inf_{i,t} + \beta_4 LOD_{i,t} + \beta_5 Labfor_{i.t} + \beta_6 Tardeoppn_{i,t} + \varepsilon_{i,t}$$

Model 1b

$$EG_{i,t} = \beta_0 + \beta_1 IFRS\ Level_{i,t} + \beta_2 TO_{i,t} + \beta_3 Inf_{i,t} + \beta_4 LOD_{i,t} + \beta_5 Labfor_{i.t} + \beta_6 Tardeoppn_{i,t} + \varepsilon_{i,t}$$

Model 2a

$$FDI_{i,t} = \beta_0 + \beta_1 IFRS\ Dummy_{i,t} + \beta_2 TO_{i,t} + \beta_3 Inf_{i,t} + \beta_4 LOD_{i,t} + \beta_5 LOE_{i,t} + \beta_6 Labfor_{i.t} + \varepsilon_{i,t}$$

Model 2b

$$FDI_{i,t} = \beta_0 + \beta_1 IFRS\ level_{i,t} + \beta_2 TO_{i,t} + \beta_3 Inf_{i,t} + \beta_4 LOD_{i,t} + \beta_5 LOE_{i,t} + \beta_6 Labfor_{i.t} + \varepsilon_{i,t}$$

Model 3a

$$EG_{i,t} = \beta_0 + \beta_1 IFRS\ Dummy_{i,t} + \beta_2\ FDI_{i,t} + \beta_4 (\ IFRS * FDI)_{i,t} + \beta_5 TO_{i,t} + \beta_6 Inf_{i,t} + \beta_4 LOD_{i,t} + \beta_5 Labfor_{i.t} + \beta_6 Tardeoppn_{i,t}\ \varepsilon_{i,t}$$

Model 3b

$$EG_{i,t} = \beta_0 + \beta_1 IFRS\ Level_{i,t} + \beta_2\ FDI_{i,t} + \beta_4 (\ IFRS * FDI)_{i,t} + \beta_5 TO_{i,t} + \beta_6 Inf_{i,t} + \beta_4 LOD_{i,t} + \beta_5 Labfor_{i.t} + \beta_6 Tardeoppn_{i,t}\ \varepsilon_{i,t}$$

Where;

EG	-	Economic growth
IFRS Dummy and level	-	International Financial Reporting Standards
FDI	-	Foreign direct investment
TO	-	Trade openness
Inf	-	Inflation
LOD	-	Level of development
Labor force	-	Labor force
LOE	-	level of education

Results and Discussion

Association of IFRS and GDP Growth (H1)

IFRS Dummy (1a)					**IFRS level (1b)**		
Variable	Predict	Coefficient	t-statistics	Prob	Coefficient	t-statistics	Prob

IFRS	-	-0.8825	-0.55	0.586	-0.1261	-0.55	0.586
Level of development	+	0.0001	1.12	0.265	0.0001	1.12	0.265
Inflation	-	-0.0503	-1.35	0.179	-0.0503	-1.35	0.179
Trade openness	+	0.0024	0.07	0.944	0.0024	0.07	0.944
Labor force	-	-7.42	-1.19	0.236	-7.43	-1.19	0.236
Level of education	+	0.0348	0.76	0.448	0.0348	0.76	0.448
R^2		0.0145			0.0145		
Wald chi2		1.13			1.13		
Prob > chi2		0.3426			0.3426		
N		391			391		

Table 2: The Tests of the Relationship Between IFRS and GDP Growth

IFRS Dummy (2a)					**IFRS level (2b)**		
Variable	Predict	Coefficient	t-statistics	Prob	Coefficient	t-statistics	Prob
IFRS	-	-0.302	-0.62	0.535	-0.043	-0.62	0.535
Level of development	-	-0.00003	-1.59	0.112	-0.00003	-1.59	0.112
Inflation	-	-0.015	-1.29	0.197	-0.015	-1.29	0.197
Trade openness	+	0.019	2.58	0.010	0.019	2.58	0.010
Labor force	-	-7.11	-1.96	0.050	-7.11	-1.96	0.050
Level of education	+	0.014	0.94	0.345	0.014	0.94	0.345
R^2		0.317			0.317		
Wald chi2		17.72			17.72		
Prob > chi2		0.007			0.007		
N		391			391		

Table 3: The Testing of the Relationship Between IFRS and FDI Net Inflows (% Of GDP)

IFRS Dummy (Model 2a)	**IFRS level (Model 2b)**

Variable	Predict	Coefficient	t-statistics	Prob	Coefficient	t-statistics	Prob
IFRS	-	-8.28	-0.32	0.752	-7.44	-0.32	0.752
Level of development	+	5.07	4.15	0.000	5.07	4.15	0.000
Inflation	-	-7.32	-1.12	0.261	-7.32	-1.12	0.261
Trade openness	+	7.30	1.89	0.058	7.30	1.89	0.058
Labor force	+	158.82	1.85	0.064	158.82	1.85	0.064
Level of education	+	7.19	0.85	0.397	7.19	0.85	0.397
R^2		0.26			0.26		
Wald chi2		26.50			26.50		
Prob > chi2		0.0002			0.0002		
N		391			391		

Table 4: Regression Results of the Tests of the Relationship Between IFRS and FDI Net Inflows (Bop, Current US$).

Mediating Role of FDI Between IFRS Adoption and Economic Growth (H3)

IFRS Dummy & FDI net inflows (% of GDP) (3a)				**IFRS Level & FDI, net inflows (% of GDP) (3b)**			**IFRS Dummy & FDI net inflows (BoP, current US$) (3a)**			**IFRS level & FDI, net inflows (current US$) (3b)**		
Variable	Coeff	t-statistics	Prob	Coeff	t-statistics	Prob	Coeff	t-statistics	Prob	Coeff	t-statistics	Prob
IFRS	-10.096	-0.90	0.368	-9.252	-0.90	0.368	8.614	0.03	0.973	7.770	0.03	0.973
FDI	-9.155	-0.78	0.436	-9.155	-0.78	0.436	12.541	10.77	0.000	12.541	10.77	0.000
Level of development	6.689	11.87	0.000	6.689	11.87	0.000	6.545	9.21	0.000	6.545	9.21	0.000
Inflation	-8.851	-1.81	0.070	-8.852	-1.81	0.070	-8.648	-1.30	0.194	-8.648	-1.30	0.194

Trade openness	8.542	1.99	0.047	8.542	1.99	0.047	8.356	1.52	0.129	8.356	1.52	0.129
Labor force	4.177	17.11	0.000	4.177	17.11	0.000	4.098	15.69	0.000	4.098	15.69	0.000
Level of education	7.970	0.18	0.858	7.970	0.18	0.858	7.672	0.10	0.918	7.672	0.10	0.918
R^2		0.521		0.512			0.625	-2.56	0.011	0.632		
N		391			391							

Table 5: Regression Result of IFRS, FDI, And GDP Growth

Table 6: Summary of Findings

Conclusion and Recommendations

Previous studies focused on the financial and economic impacts of adopting IFRS, especially in developed countries, while other studies focused on the relationship between adopting IFRS and increasing FDI flows. A small number of these studies were conducted in developing countries, which has drawn the attention of decision-makers to the need to study all financial and economic aspects resulting from adopting IFRS, especially in developing countries (Ajibade et al., 2019; Alsheikh et al., 2021; Mohammadrezaei et al., 2015; Nejad et al., 2018; Oppong & Aga, 2019; Owusu et al., 2017; Zaidi & Huerta, 2014). Other studies have focused on the effects of adopting IFRS by region in developed countries such as ASEAN countries, MENA countries, and African countries for various reasons, including the similarity of economic, educational, and cultural levels (Alhassan Musah, 2020; Cieślik & Hamza, 2022c; Elhamma, 2023; Emalereta & Akandu, 2017; Klish et al., 2025; Nejad et al., 2018b).

Hypotheses	Specified Model	Estimation Technique	Result
Relationship between IFRS Dummy and GDP Growth (H1a)	Model (2)	Fixed Effect	Not supported
Relationship between IFRS Level and GDP Growth (H1b)	Model (2)	Fixed Effect	Not supported
Relationship between IFRS Dummy and FDI net inflows (% of GDP) (H2a)	Model (3)	Random Effect	Not supported
Relationship between IFRS Level and FDI net inflows (% of GDP) (H2b)	Model (3)	Random Effect	Not supported
Relationship between IFRS Dummy and FDI net inflows (BoP, current US$) (H2a)	Model (4)	Random Effect	Not supported
Relationship between IFRS Level and FDI net inflows (BoP, current US$) (H2b)	Model (4)	Random Effect	Not supported
Role of Mediating Variable FDI net inflows (% of GDP) between IFRS Dummy and GDP (H3a)	Model (5)	OLS	Not supported
Role of Mediating Variable FDI net inflows (% of GDP) between IFRS Level and GDP (H3b)	Model (5)	OLS	Not supported
Role of Mediating Variable FDI net inflows (BoP, current US$) between IFRS Dummy and GDP (H3a)	Model (6)	OLS	Supported
Role of Mediating Variable FDI net inflows (BoP, current US$) between IFRS Level and GDP (H3b)	Model (6)	OLS	Supported

Due to the different results that emerged from the effects of adopting IFRS according to regions, as well as according to the mediating or moderating variables, adopting IFRS raised many questions, especially among governments that have not adopted IFRS to this point, and among investors who are looking for investment opportunities in various countries and fields (Akisik, 2020; Akisik & Mangaliso, 2020; Matthew Yaw Owusu et al., 2021b; Tuychiev & Sori, 2025).

This study examines the impact of adopting IFRS in MENA countries, given that MENA countries boast numerous economic, geographical, and cultural advantages, making them a focus of interest to foreign investors. Also, by clarifying the mediating role of FDI, this study aims to fill the research gap and expand knowledge on the effects of IFRS adoption on economic growth. Given the limited number of studies that have analyzed the economic impact of adopting IFRS on economic growth, this research is of paramount importance by providing empirical evidence on the relationship between IFRS adoption, FDI, and economic growth.

The study also recommends, with the increasing integration of artificial intelligence (AI) and automated decision-making in global financial markets and the recent developments in financial markets and the complex competition among investors in their investment decisions; therefore, countries that have not yet adopted IFRS should consider adopting it and linking investment policies to AI-based financial analytics to prevent their economies from being excluded from the global digital financial systems that are increasingly relying on non-human decision-makers.

The result of the study using Random Effect models shows that IFRS adoption alone is not enough to boost economic growth, which goes against the notion that it always leads to better economic outcomes. Rather, the effect of IFRS adoption on economic growth is coordinated by the FDI inflows. The findings from the OLS models show that the level of FDI determines how much IFRS adoption contributes to economic growth. Low FDI inflows reverse the positive relationship between IFRS adoption and economic growth.

First, this paper contributes to the accounting and economics literature. Secondly, this paper shows that the advantages of IFRS adoption are not only the improvements in financial reporting at the firm level. In this regard, IFRS adoption can be more likely to attract more FDI that essentially aids in the economic growth process. Secondly, this study reveals that IFRS adoption may not necessarily lead to positive economic outcomes unless the necessary level of FDI inflows is achieved, which indicates that FDI is a moderator in this relationship.

These findings have important repercussions for policymakers in the MENA region, Although IFRS adoption can help to attract FDI and enhance economic growth, it is important to recognize that the effectiveness of this strategy depends on the ability of countries to use FDI as an engine of economic growth. Hence, it is recommended that MENA countries should not consider IFRS adoption as a one off exercise but should rather design policies that would specifically promote FDI. Those countries that have chosen or intend to choose IFRS should also come up with plans to encourage and maintain FDI in order to optimize the economic returns of IFRS adoption.

Author Contributions

All authors contributed equally to this research. The contributions are as follows:

Musatfa Rasim AL-Tuwaijari: Conceptualization, Methodology, Data Analysis, Writing – Original Draft; Mara Ridhuan Bin Che Abdul Rahman: Supervision, Review & Editing; Azlina Ahmad, Methodology, Data Collection, Writing – Review & Editing; Ruzita Abdul Rahim, Validation, Resources, Review & Editing.

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Ethical Approval

This study does not involve human participants, animals, or sensitive data requiring ethical clearance..

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