"IFRS 9 misalignment and its impact on Sukuk investment strategies: Evidence from Jordan"

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NUMBER OF REFERENCES	NUMBER OF FIGURES	NUMBER OF TABLES
50	0	7

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IFRS 9 MISALIGNMENT AND ITS IMPACT ON SUKUK INVESTMENT STRATEGIES: EVIDENCE FROM JORDAN

Abstract

The emergence of Islamic finance has positioned Sukuk as a moral substitute for traditional bonds. However, misalignment with International Financial Reporting Standard 9, especially in Jordan, erodes investor confidence and reduces integration into world markets. This paper attempts to quantitatively evaluate how classification difficulties under International Financial Reporting Standard 9 affect investment strategies, decision-making, and market attractiveness of Sukuk within Jordan's financial system.

Data were collected from a stratified sample of 346 finance professionals from banks, investment businesses, insurance companies, and regulatory authorities. Each participant had at least three years of work experience and suitable academic credentials. Utilizing partial least squares structural equation modeling, the survey was carried out between September 2024 and January 2025. The results indicate that classification issues have a significant adverse effect, reducing investment strategy efficacy by 46% ($\beta = -0.46$, $p < 0.01$), decision-making clarity by 37% ($\beta = -0.37$, $p < 0.05$), and Sukuk attractiveness by 52% ($\beta = -0.52$, $p < 0.001$). These significant effects are reinforced by vigorous diagnostics of the model, with variance inflation factor measures between 1.15 and 1.23, and by superb fit indices of the model, such as a standardized root mean square residual of 0.06 and a comparative fit index of 0.95.

The results underline the need for a coordinated international classification system and the structural influence of regulatory inconsistencies on Sukuk viability. Promoting openness, restoring investor confidence, and enabling wider acceptance in foreign markets all depend on aligning Islamic financial instruments with global reporting standards.

Keywords	Sukuk, IFRS 9, investment strategies, financial transparency, Jordan, regulatory compliance, market attractiveness, risk management
JEL Classification	G24, G32, M41

INTRODUCTION

Global prominence has been achieved by Islamic finance, which serves as an ethical, asset-backed alternative to conventional finance. At the core of this system is Sukuk, which acts as Shariah-compliant written contracts, offering shared ownership in tangible assets, rather than interest-based debt notes. Traditional bonds, which rely on fixed income and risk transfer, do not underlie the very real, economic activity, asset backing, and risk-sharing principles governed by Islamic jurisprudence that Sukuk emphasizes. As emerging markets increasingly adopt Islamic finance, the role of Sukuk becomes central to financial inclusion and ethical investment. As Islamic finance looks to penetrate the international capital markets, it is increasingly critical that its instruments align with the types of overarching rule sets – regulatory standards, if you will – that the global rule-based order prescribes.

A huge hurdle in place with Sukuk is International Financial Reporting Standard 9 (IFRS 9). As it is configured now, IFRS 9 is fundamentally about credit risk. It is designed for financial instruments that are compatible with the structures of traditional Western finance and is not well suited to an instrument like Sukuk. It simply does not work for structures like Sukuk, where the ethical and legal foundations are very different from those of conventional bonds. This misclassification creates regulatory confusion, diminishes financial transparency, and limits institutional willingness to invest in Sukuk. In nations like Jordan, where a lack of consistent classification for Islamic finance instruments already hinders the desire for investing in these kinds of ethical, Shari'ah-compliant institutions, this is extremely acute.

Sukuk does not suit the IFRS 9 current classification system. Comparability and compliance are seriously challenged by incompatibility between Islamic financing and international standards of accountancy. Under IFRS 9, the lack of a logical classification system for Sukuk reflects a more general regulatory misalignment that prevents integration into world capital markets. Building investor confidence, providing regulatory certainty, and facilitating globally Shariah-compliant sustainable development of finance would help to close this gap.

1. LITERATURE REVIEW

The evolution of Islamic finance has seen it move away from conventional financial norms, embedding financial inclusion and ethical issues at the very center. Among the building blocks, Sukuk has emerged as one fundamental cornerstone, offering an ethically compliant counterpart to conventional bonds while enhancing the intersection of finance and governance values (Alshater et al., 2022). Despite their greater global prominence, classification and conformity of Sukuk with international financial reporting standards, particularly IFRS 9, still remain intricate (Minhat & Dzolkarnaini, 2021). The novelty of Sukuk, both as them being asset-backed securities and aligning with Shariah values, imposes huge classification complexities under IFRS 9 (Hassan et al., 2022), leaving crucial loopholes in the literature over measuring and classification under international accounting standards (Hassan et al., 2021).

Islamic finance operates under concepts of risk-sharing and responsible investments. Sukuk, by the definition of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), provides ownership proportionate to tangible property, goods, or usufructs, distinguishing them from debt securities (Abasimel, 2023; Ashraf, 2023). Avoiding the prohibition on riba (interest) and emphasizing transactions based on tangible economic undertakings assures Sukuk consistency with financial teachings (Rabbani et al., 2023). A close analytical study by Shiyyab and

Morshed (2024) compares Islamic finance to financial models, concentrating on risk-sharing, not transfer.

Ramadan and Morshed (2024) examine social justice and ethical implications of Sukuk, specifically prohibitions against uncertainty (gharar) and interest (riba). Raimi et al. (2024) develop Sukuk operational processes and theories, arguing that Sukuk can boost socio-economic equity. Concurrently, Ejaz et al. (2022) study Sukuk vs. traditional bond risk-return profiles, depicting Sukuk's uniqueness in terms of volatility, as well as the ability to deal with risks.

A fundamental differentiation exists between Sukuk and traditional bonds in terms of structural and operational underpinning (Uluyol, 2023). While traditional bonds are based on the issuer's credibility, Sukuk investments are inherently tied to tangible economic activities and ownership of assets, further enhancing their place in an ethical finance system (Rahman et al., 2020). The differentiation serves as central to grasping the intricacies relating to Sukuk classification under IFRS 9 (Morshed, 2024a; Tlemsani et al., 2023).

Nagimova (2023) provides an extensive analysis of Sukuk structures, varying them as asset-backed Sukuk versus asset-based Sukuk. In an asset-based Sukuk, ownership over the asset remains with the issuer while assigning the benefits it receives over to the investors (Umar & Al-Faryan, 2023; Watkins, 2020). However, asset-

backed Sukuk entails granting full ownership over to the investors, alongside entitlement over returns from the asset (Ebrahim & Abdelfattah, 2021; Mohamed et al., 2022).

Empirical studies by Samitas et al. (2021) and Aloui et al. (2023) offer a comparative analysis of Sukuk vs. traditional bonds, indicating the greater volatility of Sukuk due to it being asset-backed. Also, the application of the principle of Sharia makes it operationally intricate as well as from a regulatory perspective, influencing Sukuk's market behavior and attractiveness as an investment (Kasri et al., 2023). Volatility also arises due to geopolitical and macroeconomic drivers, influencing investor perceptions and the necessity for sophisticated risk management (Tawfik & Elmaasrawy, 2024).

Regulatory approaches toward Sukuk also vary across markets, significantly influencing classification and inclusion in financial systems. While Malaysia and Saudi Arabia had well-developed infrastructures to support Sukuk market development (Mohd Roslen et al., 2024), Jordan has found it challenging to reconcile Sukuk with IFRS 9, restricting its marketability and strategic allocation (Morshed, 2024b).

Harmonizing Islamic finance concepts with international financial reporting standards still remains challenging for players in the markets (Ramadan & Morshed, 2024a). Academics also pinpoint the importance of developing an internationally coordinated classification system so that it increases acceptability in the markets while reducing inconsistencies (Elhalaby et al., 2023).

IFRS 9, as a principle-based financial reporting system, aims for a fair balance between financial consistency globally and conformity with the principles of Shariah (Madah Marzuki et al., 2021; Yusuf et al., 2024). In recognition of this two-fold objective, Al-Zaqeba and Basheti (2024) emphasize the importance of a fair classification system for Sukuk under IFRS 9 while retaining financial transparency alongside conformity with Islamic values (Taqa, 2025).

In Jordan, Islamic finance has a prominent presence, so the implementation of IFRS 9 has an explicit impact on Sukuk investments, replicating general financial markets' trends (Awuye & Taylor, 2024). Danila et al. (2021) and Samitas et al. (2021) also reveal the varying Sukuk inclusion across financial markets, indicating the need for adjustments according to financial markets (Awais et al., 2025).

While theoretical Sukuk categories are well established, practical application proves problematic. Successful green Sukuk issues by Indonesia and Sukuk acquisition by Malaysia for portfolio diversification offer concrete examples (Alkadi, 2024; Mseddi, 2023). Nasreen et al. 2020 and Phiri and Anyikwa (2025) analyze Sukuk correlation across other asset classes, revealing hedging opportunities as well as managing risks. Sukuk application in green finance also increases, as emerging markets employ these instruments increasingly to finance green, social projects.

Despite a rich theoretical framework and extensive empirical research, much remains uncertain about the actual implications of applying IFRS 9 on Sukuk in emerging markets. Classification inconsistencies remain a challenge to transparency, investor trust, and regulatory alignment. Integrating these findings shows a continued disconnect: a lack of a harmonious classification framework for Sukuk in line with both Shariah fundamentals and global financial reporting standards.

Consequently, this study aims to assess the impact of classification challenges under IFRS 9 on investment approaches, decision-making processes, and market appeal of Sukuk under Jordan's financial framework.

Study hypotheses are as follows:

H1: *IFRS 9 imposes rigorous classification and reporting challenges on Sukuk investments in Jordan.*

H2: *Sukuk's Shariah-driven framework complicates IFRS 9 measurement, affecting investor confidence.*

H3: *Enhanced reporting processes and classification can facilitate greater Sukuk inclusion in the Jordanian market.*

2. METHODOLOGY

This study employs a quantitative method by applying financial reporting analysis, as well as regulatory compliance under IFRS 9 in Jordanian banks, specifically targeting the inclusion of Islamic finance concepts, specifically Sukuk, regulatory compliance under IFRS 9, and financial models based on Shariah. Partial Least Squares – Structural Equation Modeling (PLS-SEM) via SmartPLS 4 was employed. PLS-SEM best applies to measuring IFRS 9 compliance as well as Sukuk classification issues in Jordan, due to its enabling analysis of complex financial relations and the impact of regulation.

The population included three categories of stakeholders necessary for the application and implementation of Islamic financial products and conformity with IFRS 9, including bank personnel, decision-makers, policymakers, and regulators. Bank personnel and decision-makers were targeted owing to their inputs toward operational issues, personnel preparedness, and infrastructure capacity. Regulators and policymakers were targeted owing to their inputs toward developing conformity models, ensuring conformity with morality and cultural compatibility, specifically Sukuk classification under IFRS 9. A sample of 346 valid questionnaires was collected, achieving an attainable rate of 79% from targeted participants. The sample included finance specialists contracted by banks, investment firms, insurance firms, and financial regulatory agencies across the Jordanian financial system. Respondents must have had a Bachelor's level in finance, accountancy, or any other relevant field, as well as three years of work experience in the financial field. This ensured an equitable representation across the financial sector in Jordan. The final sample was selected employing a stratified random sample method, ensuring equitable representation across prominent financial sectors (Morshed, Ramadan et al., 2024).

Table 1. Sample characteristics

Characteristic	Count	Percentage
Total Participants	346	100%
Gender – Male	194	56%
Gender – Female	152	44%
Education Level – Bachelor's Degree	131	38%
Education Level – Master's Degree	149	43%
Education Level – PhD	66	19%
Professional Experience – 3-5 years	94	27%
Professional Experience – 6-10 years	159	46%
Professional Experience – More than 10 years	93	27%
Sector – Banking	111	32%
Sector – Investment Firms	94	27%
Sector – Insurance Companies	55	16%
Sector – Regulatory Bodies	86	25%

Table 1 shows a diverse participant profile in terms of gender (56% male, 44% female), education (38% Bachelor's, 43% Master's, 19% PhD), professional experience (27% with 3-5 years, 46% with 6-10 years, 27% with more than 10 years), and sectors (32% in banking, 27% in investment firms, 16% in insurance companies, 25% in regulatory bodies). This diversity suggests the sample is representative, enhancing the generalizability of the findings to similar contexts. The varied backgrounds support a comprehensive understanding of Sukuk's operational and regulatory complexities, aligning with insights from the literature review (Morshed, Maali, et al., 2024).

Data collection lasted five months, September 2024 to January 2025, so there could be enough time for extensive coverage across financial institutions in Jordan. A guided survey tool was sent electronically via Google Forms, Survey Gizmo, and other accessible electronic survey tools, so there could be maximum convenience. The structured survey tool was targeted at measuring the essential variables utilizing a 5-point Likert scale from "Strongly Disagree" to "Strongly Agree." The essential variables are those of Sukuk classification difficulties, investment strategies, decision-making influences, and Sukuk attractiveness. These variables address Sukuk classification and reporting difficulties under IFRS 9, together with the implications thereof, for financial transparency in Jordan. The study determines the conformity level by the regulatory authority with IFRS 9, together with its impact on Sukuk classification, investment strategies, organizational decision-making, and Sukuk attractiveness in the financial market of Jordan.

To investigate Sukuk classification issues under IFRS 9 in Jordan's financial markets, this study employs an ordered approach. A quantitative approach tests the conformity of an asset-backed

Sukuk and an asset-based Sukuk issued by an asset-backed Sukuk to reporting under IFRS 9. Information has also been collected from financial experts from banks, investment houses, and regulatory bodies to study the impact of these classification issues on financial transparency, investor trust, and adaptation by the regulators. Structured questionnaires are employed by the study to measure perceptions toward Sukuk conformity under IFRS 9, the capacity of regulators to deal with reporting complexity, and the implications of IFRS 9 toward financial inclusion and investor trust in Jordan. Findings offer greater insight into financial institutions' handling of Sukuk classification under IFRS 9, while also studying steps by the regulators toward transparency and conformity.

Fornell-Larcker criterion, HTMT, convergent validity, discriminant validity, and multicollinearity by VIF value tests have been conducted. Convergent validity, as well as composite reliability, have also been examined to confirm inner consistency and construct reliability. Composite reliability (CR) values greater than 0.7 suggest inner consistency. Discriminant validity has also been examined by the Fornell-Larcker criterion, HTMT, to confirm constructs were distinct enough from one another. Multicollinearity has also been examined by variance inflation factor (VIF) values, so that predictor variables are not significantly correlated (Dirgiatmo, 2023).

Ensuring ethical considerations took precedence during the study. Regular checks kept everything in place. Institutional protocols and approval processes guided the way. They kept the study on the ethical straight and narrow. The way consent was procured and the way the respondents were debriefed were illustrations of models that put and kept the respondents at the center of the ethical equation. Regular meetings with the study's oversight committee ensured that everything was in place, up to code, and appropriate (Ravn et al., 2020).

The study was conducted following the Declaration of Helsinki and approved by the Research Ethics Committee of Middle East University (MEU), Jordan, on 20-10-2024 (Protocol Code: MEU-IFRS9-2024/10).

3. RESULTS

The study focused on how classification challenges affect investment strategies, decisions, and the overall appeal of Sukuk as an investment. Hypothesis testing once more substantiated the presence of significant negative relationships between classification challenges and three examined constructs, thus reconfirming the adverse impact on investments and decision-making.

Table 2 presents the results from a confirmatory factor analysis, demonstrating strong validity and reliability for four constructs: "Classification Challenges," "Investment Strategies," "Decision Impact," and "Sukuk Attractiveness." All the constructs have high factor loading values, ranging from 0.77 to 0.90, and indicator reliability values of 0.59 to 0.81, representing very acceptable measures. The AVE values range from 0.67 to 0.72,

Table 2. Convergent validity and composite reliability

Construct	Indicator	Factor Loading	Indicator Reliability (Squared Loadings)	AVE	Composite Reliability (CR)
Classification Challenges	CC1	0.80	0.64	0.72	0.88
	CC2	0.85	0.72		
	CC3	0.90	0.81		
Investment Strategies	IS1	0.78	0.61	0.68	0.85
	IS2	0.82	0.67		
	IS3	0.86	0.74		
Decision Impact	DI1	0.77	0.59	0.67	0.83
	DI2	0.81	0.66		
	DI3	0.84	0.71		
Sukuk Attractiveness	SA1	0.79	0.62	0.69	0.84
	SA2	0.83	0.69		
	SA3	0.87	0.76		

Table 3. Discriminant validity (Fornell-Larcker criterion)

Construct	Indicator	Factor Loading	Indicator Reliability (Squared Loadings)	AVE	Composite Reliability (CR)
Classification Challenges	CC1	0.80	0.64	0.72	0.88
	CC2	0.85	0.72		
	CC3	0.90	0.81		
Investment Strategies	IS1	0.78	0.61	0.68	0.85
	IS2	0.82	0.67		
	IS3	0.86	0.74		
Decision Impact	DI1	0.77	0.59	0.67	0.83
	DI2	0.81	0.66		
	DI3	0.84	0.71		
Sukuk Attractiveness	SA1	0.79	0.62	0.69	0.84
	SA2	0.83	0.69		
	SA3	0.87	0.76		

which is above the threshold level of 0.50, thus confirming adequate convergent validity. The remaining values, Composite Reliability, range from 0.83 to 0.88; it is shown that all constructs are reliable and have a high internal consistency (Jumani & Muhamad, 2023).

Table 3 measures the model of the four constructs: Classification Challenges, Investment Strategies, Decision Impact, and Sukuk Attractiveness. All constructs with three indicators have high factor loadings between 0.77 to 0.90 and good reliability of above 0.50. AVE values are evidenced to range between 0.67 and 0.72, all above the threshold value of 0.50; therefore, they were quite strong in explanation. CR values range from 0.83 to 0.88, indicating strong internal consistency (Oreqat, 2021). In general, the constructs and indicators are very reliable and valid; they are strong (Dirgiatmo, 2023).

Table 4. Discriminant validity (HTMT)

Construct	Investment Strategies	Decision Impact	Sukuk Attractiveness
Classification Challenges	0.76	0.69	0.63
Investment Strategies		0.74	0.68
Decision Impact			0.73

From Table 4, it is inferred that there are strong positive relationships between Classification Challenges, Investment Strategies, Decision Impact, and Sukuk Attractiveness. Classification Challenges highly correlate with Investment Strategies (0.76) and fairly with Decision Impact (0.69) and Sukuk Attractiveness (0.63). Investment Strategies highly correlate with Decision Impact (0.74) and Sukuk Attractiveness (0.68). Decision Impact highly correlates with Sukuk Attractiveness (0.73). These inferences suggest that higher classification challenges, investment strategies, and decisive impacts will increasingly enhance the attractiveness of Sukuk (Dirgiatmo, 2023).

Table 5. Multicollinearity (VIF values)

Construct	VIF
Classification Challenges	1.23
Investment Strategies	1.17
Decision Impact	1.20
Sukuk Attractiveness	1.15

Table 5 presents the VIF values for all four constructs: Classification Challenges, 1.23; Investment Strategies, 1.17; Decision Impact, 1.20; and Sukuk Attractiveness, 1.15 – all well below the cut-off value of 10, indicating the absence of multicollinearity issues. This makes it possible to perform reliable regression analyses, which are very important in financial modeling and analysis of Sukuk, as underscored in the literature review (Streukens & Leroi-Werelds, 2023).

Table 6. Model fit indices

Model Fit Index	Value
SRMR	0.06
NFI	0.92
CFI	0.95
TLI	0.94

In Table 6, the model fit indices show that the model has a good fit. The SRMR value, 0.06, is below the cut-off score of 0.08. The NFI at 0.92, CFI at 0.95,

Table 7. Hypothesis testing results

Hypothesis	β (Standardized)	t-value	p-value	Significance
H1: Classification Challenges → Investment Strategies	−0.46	5.29	< 0.01	**
H2: Classification Challenges → Decision Impact	−0.37	2.87	< 0.05	*
H3: Classification Challenges → Sukuk Attractiveness	−0.52	6.74	< 0.001	***

Note: Statistical significance is indicated as follows: * for $p < 0.05$, ** for $p < 0.01$, and *** for $p < 0.001$.

and TLI at 0.94 are all above the critical threshold of 0.90, indicating that the data fit the model very well. All these indices show that the collected model attains strong and satisfactory data fit (Yıldız, 2023).

The results reported in Table 7 provide strong support for each of the three hypotheses and confirm the significant impact of classification difficulties on strategic and perceptual considerations in the financial sector. First, there was a strong negative relationship between classification difficulties and investment strategy (β = −0.46, p < 0.01), indicating that ambiguity in regulations has a significant negative effect on institutional willingness and ability to invest. A narrow confidence interval also confirms the validity of this relation. Secondly, there was a statistically significant negative impact on decision-making processes (β = −0.37, p < 0.05), which means that ambiguity in regulatory regimes induces caution and erodes strategic planning confidence. Thirdly, there was a significant reduction in the attractiveness of these financial products (β = −0.52, p < 0.001), reflecting heightened investor suspicion in the lack of clear and consistent classification standards.

Together, these findings reveal system-wide risks originating in classification inconsistency, particularly in financial systems that are required to reconcile ethical, legal, and global reporting requirements. The statistically significant path coefficients and narrowly constrained confidence intervals for each of the three hypotheses provide support for the structural impact of classification challenges on institutional behavior and market perception. Not only do these findings concur with theoretical expectations, but they also offer a quantification of how regulatory inconsistency can stifle financial development, distort transparency, and discourage investor participation. Addressing these challenges through policy reform and regulatory convergence is therefore imperative to ensuring the competitiveness, credibility, and global integration of ethically governed financial systems (Khan, 2023).

4. DISCUSSION

This study gives a strong quantitative examination of the effects of IFRS 9 classification challenges on Sukuk investment outcomes in Jordan. The results reveal statistically significant negative effects on the formulation of investment strategies, efficiency in decision-making, and Sukuk perceived market attractiveness. These results highlight the general implications of regulatory misalignment on Islamic financial instruments in emerging markets.

Relative to previous literature, this study improves and builds upon previous qualitative arguments. Minhat and Dzolkarnaini (2021) and Hassan et al. (2022), for instance, had recognized structural incompatibilities between Sukuk and IFRS 9, but without empirical quantification. Empirical confirmation of the arguments now exists: classification ambiguity decreases the effectiveness of investment decision-making by 46%, clarity of decision-making by 37%, and attractiveness of Sukuk by 52%. These empirical findings verify previous theoretical arguments advanced by Alshater et al. (2022) and Nagimova (2023), which found that market fragmentation arose from non-uniform classification practices (Ahmad et al., 2023).

These findings identify the specific behavioral consequences of accounting misalignment. Decreased institutional willingness to invest and strategic participation result from increased uncertainty in regulatory compliance, classification, and valuation (Al-Muntasir, 2022). This confirms the argument that accounting standards affect not only financial report outcomes but also perceptions of risk and the allocation of capital. As expected, investor reluctance indicates a wider lack of trust in the application of global standards as Shariah-compliant instruments, supporting the arguments put forward by Morshed (2024a) and Yusuf et al. (2024).

The results carry essential implications for standard setters and regulators. Regulators in jurisdictions of Islamic finance – most notably in Jordan – have a requirement for localized Sukuk classification guidelines aligned with IFRS 9 but accounting for the special features of Shariah-based securities. At the same time, global standard setters like the IASB need to explore developing ancillary frameworks or interpretive guidelines for ethical financial instruments like Sukuk. Without regulatory clarification through such an adjustment, regulatory uncertainty will persist as a barrier to integration, scalability, and investor trust. Also, this study reiterates the imperative of global cooperation in formulating a harmonized classification system. This will minimize fragmentation, advance financial inclusion, and maximize cross-border investment flows. This means that policymakers need to coordinate with institutions such as AAOIFI and IFAC to develop consensus-driven solutions for addressing both the twin imperatives of faith-based finance and global uniformity of reporting.

CONCLUSION

This study examined the impact of classification challenges in IFRS 9 on investment strategy, decision-making, and the attractiveness of Sukuk in Jordan's financial sector. Based on PLS-SEM on 346 finance professionals' questionnaires, the results indicate statistically significant detrimental effects – investment strategy effectiveness decreased by 46%, decision-making clarity by 37%, and the attractiveness of Sukuk by 52%. These findings quantitatively validate prior qualitative suggestions in the literature that regulatory misalignment diminishes institutional capability, strategic planning, and investor confidence.

The paper highlights the point that without a well-defined, uniform classification system, Sukuk markets are subject to systemic impediments to innovation, capital mobilization, and integration with international financial systems. To overcome these impediments, a harmonized classification paradigm is needed that aligns Shariah-permissible structures with global reporting requirements. That kind of convergence would increase transparency, build investors' confidence, and ease the inter-border capital movements. National regulators, international standard setters such as the IASB and AAOIFI, and market players must coordinate their efforts to accomplish the integration.

Emerging technologies – most notably blockchain, advanced analytics, and artificial intelligence – present real-world solutions for enhancing classification accuracy, automating compliance checks, and managing risks dynamically. Future work must investigate comparative studies across countries to discern consensus-based best practices and determine the effectiveness of digital tools in removing classification ambiguity in real-time. These actions are not merely process-based reforms; they are strategic necessities in the development of a credible, ethical, and global Islamic financial system.

AUTHOR CONTRIBUTIONS

Conceptualization: Abdulhadi Ramadan, Laith T. Khrais.
Data curation: Amer Morshed.
Formal analysis: Amer Morshed, Laith T. Khrais.
Funding acquisition: Abdulhadi Ramadan.
Investigation: Abdulhadi Ramadan.
Methodology: Amer Morshed.
Project administration: Abdulhadi Ramadan.
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Supervision: Abdulhadi Ramadan.

Validation: Abdulhadi Ramadan.
Visualization: Abdulhadi Ramadan.
Writing – original draft: Amer Morshed.
Writing – review & editing: Abdulhadi Ramadan, Laith T. Khrais.

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