*ISSN: 2658-8455*
*Volume 6, Issue 4 (2025), pp. 626-637.*


# Theoretical Impact of IFRS 9 on Banking Performance: A Literature Review and Conceptual Framework

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| **Disclosure Statement :** | Authors are not aware of any findings that might be perceived as affecting the objectivity of this study and they are responsible for any plagiarism in this paper. |
| **Conflict of Interest :** | The authors report no conflicts of interest. |
| **Cite this article :** | KHALESS, Z., & AMZIL, R. (2025). Theoretical Impact of IFRS 9 on Banking Performance: A Literature Review and Conceptual Framework. International Journal of Accounting, Finance, Auditing, Management and Economics, 6(4), 626–637. https://doi.org/10.5281/zenodo.15306836 |
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*Received: 04/11/ 2024* *Accepted: 23/04/2025*

**International Journal of Accounting, Finance, Auditing, Management and Economics - IJAFAME**
**ISSN: 2658-8455**
**Volume 6, Issue 04 (2025)**

# Theoretical Impact of IFRS 9 on Banking Performance: A Literature Review and Conceptual Framework

## Abstract

His paper presents an in-depth theoretical analysis of the impact of International Financial Reporting Standard 9 (IFRS 9) on banking performance, focusing on its significant transition from the incurred loss model under IAS 39 to the forward-looking Expected Credit Loss (ECL) framework. IFRS 9 requires financial institutions to estimate potential credit losses at the time of loan origination, promoting a proactive approach to risk management and significantly enhancing financial stability and transparency.
The study leverages insights from agency theory and financial transparency principles to explore IFRS 9's influence on critical banking performance indicators, including credit risk, profitability, and financial stability. The analysis delves into key variables such as Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), elucidating their pivotal roles in shaping contemporary risk management strategies and overall banking outcomes. By examining the interconnected nature of these variables, the paper provides a nuanced understanding of the practical and theoretical implications of IFRS 9.
Additionally, this research identifies notable gaps in the existing literature, particularly in the integration of macroeconomic factors and the development of holistic risk assessment models that incorporate IFRS 9's key components. To address these gaps, the study proposes robust theoretical frameworks and emphasizes the need for future empirical research to validate and refine these models.
The paper also addresses the complexities and operational challenges faced by financial institutions in implementing IFRS 9, such as the increased volatility on loan loss allowances, model development intricacies, and regulatory capital requirements. It offers actionable insights for policymakers, regulators, and practitioners to navigate these challenges effectively.
By offering a comprehensive foundation for understanding IFRS 9's broader implications, this research contributes to the ongoing discourse on financial stability and risk management in the banking sector, paving the way for more resilient and transparent financial systems.

**Keywords:** IFRS 9, Expected Credit Loss (ECL), Banking Performance, Financial Stability, Credit Risk Management, Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD).
**Paper type** : Theoretical article
**JEL Classification** : G21, M41, G28

## Résumé

Cet article propose une analyse théorique approfondie de l'impact de la norme comptable internationale IFRS 9 sur la performance bancaire, en mettant l'accent sur sa transition significative du modèle des pertes encourues sous IAS 39 vers le cadre prospectif des pertes de crédit attendues (ECL). L'IFRS 9 exige que les institutions financières estiment les pertes potentielles dès l'octroi d'un prêt, favorisant ainsi une approche proactive de la gestion des risques et renforçant considérablement la stabilité et la transparence financières.
L'étude s'appuie sur la théorie de l'agence et les principes de transparence financière pour explorer l'influence de l'IFRS 9 sur des indicateurs clés de la performance bancaire, notamment le risque de crédit, la rentabilité et la stabilité financière. L'analyse examine des variables essentielles telles que la Probabilité de Défaut (PD), la Perte en Cas de Défaut (LGD) et l'Exposition en Cas de Défaut (EAD), mettant en lumière leur rôle central dans l'élaboration des stratégies contemporaines de gestions des risques et leurs implications globales sur les performances bancaires. En explorant l'interconnexion de ces variables, ce document apporte une compréhension approfondie des implications pratiques et théoriques de l'IFRS 9.
De plus, cette recherche identifie des lacunes notables dans la littérature existante, notamment en ce qui concerne l'intégration des facteurs macroéconomiques et le développement de modèles d'évaluation des risques plus globaux intégrant les éléments clés de l'IFRS 9. Pour combler ces lacunes, l'étude propose des cadres théoriques solides et souligne la nécessité de recherches empiriques futures afin de valider et d'affiner ces modèles.
L'article aborde également les défis complexes et opérationnels auxquels sont confrontées les institutions financières dans la mise en œuvre de l'IFRS 9, notamment l'augmentation de la volatilité des provisions pour pertes sur prêts, la complexité du développement des modèles et les exigences en matière de capital réglementaire. Il fournit des recommandations concrètes aux décideurs politiques, aux régulateurs et aux professionnels pour mieux gérer ces défis.
En offrant une base complète pour comprendre les implications plus larges de l'IFRS 9, cette recherche contribue au débat actuel sur la stabilité financière et la gestion des risques dans le secteur bancaire, ouvrant la voie à des systèmes financiers plus résilients et transparents.

**Mots-clés :** IFRS 9, Pertes de Crédit Attendue (ECL), Performance Bancaire, Stabilité Financière, Gestion du Risque de Crédit, Probabilité de Défaut (PD), Perte en Cas de Défaut (LGD), Exposition en Cas de Défaut (EAD).
**Type de papier** : Article théorique
**Classification JEL** : G21, M41, G28

ISSN: 2658-8455
Volume 6, Issue 4 (2025), pp. 626-637.


# Introduction

International Financial Reporting Standard 9 (IFRS 9), which took effect on January 1, 2018, marks a significant shift in financial reporting standards, replacing the International Accounting Standard 39 (IAS 39). Unlike IAS 39, which relied on an incurred loss approach for credit loss provisioning, IFRS 9 introduces a forward-looking model based on Expected Credit Loss (ECL). This transition requires banks to anticipate and account for potential losses at the time of loan origination, enhancing financial stability and the quality of financial reporting practices. By addressing long-standing issues related to delayed loss recognition, IFRS 9 aims to mitigate financial vulnerabilities that have historically contributed to crises, most notably the 2008 global financial crisis.

The adoption of IFRS 9 aligns with a broader global push toward improved risk management and greater transparency in financial reporting. Traditional standards such as IAS 39 were criticized for their inability to predict systemic risks effectively, as evidenced during the 2008 crisis. The delayed recognition of credit losses under the incurred loss model amplified financial instability, underscoring the need for a more resilient approach.

IFRS 9 seeks to address these shortcomings by introducing a proactive method that emphasizes early identification of credit risks through ECL. By incorporating a forward-looking perspective, the standard enables financial institutions to assess potential risks based on both current and anticipated macroeconomic conditions, offering a more accurate representation of credit risk exposure. This emphasis on risk anticipation not only strengthens financial stability but also enhances the credibility of financial reporting, benefiting regulators, investors, and other stakeholders.

Despite the theoretical advantages of IFRS 9, there remain significant gaps in understanding its full impact on various aspects of banking performance. Much of the existing research has focused on isolated metrics, such as credit risk management or capital adequacy, without adequately exploring the interconnected nature of key variables like Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). This fragmented approach limits a comprehensive assessment of IFRS 9's broader effects on banks' operational and financial performance.

Furthermore, empirical studies examining the interaction between macroeconomic variables and the ECL framework, particularly in volatile economic conditions, remain scarce. While some research, such as Engelmann and Pham (2020), highlights improvements in credit risk management under IFRS 9, others, including Eyalsalman et al. (2024), point to challenges stemming from increased volatility in loan loss allowances. These mixed findings underscore the need for holistic models that integrate both theoretical and empirical insights to address the complexities of IFRS 9 implementation.

The transition to IFRS 9 has sparked a growing body of research investigating its implications for financial institutions. However, much of this literature remains fragmented, with limited attention given to the systemic and interdependent nature of key performance indicators. Theoretical frameworks such as agency theory and financial transparency principles provide useful lenses through which to examine IFRS 9, particularly in understanding how the standard influences decision-making processes, risk mitigation strategies, and stakeholder trust.

Notably, existing studies have not sufficiently explored the interplay between macroeconomic factors—such as GDP growth, unemployment rates, and inflation—and IFRS 9 components like PD, LGD, and EAD. This lack of integration represents a significant theoretical gap, highlighting the need for new models that can capture these complexities and provide actionable insights for regulators and financial institutions.

This study aims to bridge these gaps by developing robust regression models to systematically analyze IFRS 9's effects on critical banking performance metrics, including profitability, financial stability, and regulatory compliance. The central research question guiding this analysis is: *How does IFRS 9 influence interconnected performance indicators, and what actionable insights can be derived for regulators and banking institutions?*

By addressing this question, the study seeks to offer a comprehensive understanding of IFRS 9's implications, contributing both theoretically and practically to the fields of financial reporting and risk management.

**Article Structure**

This paper is structured into four main sections:

1. **Conceptual Framework** – A detailed examination of IFRS 9's key components and their interrelationships.
2. **Theoretical Foundations** – An exploration of relevant theories, including agency theory and financial transparency principles.
3. **Empirical Review and Propositions** – A synthesis of existing studies and proposed regression models.
4. **Discussion and Conclusion** – A summary of findings, limitations, and recommendations for future research.

# 1. Conceptual Review

## 1.1 Definitions

**IFRS 9 (International Financial Reporting Standard 9):** IFRS 9 is an international accounting standard developed by the International Accounting Standards Board (IASB) to replace IAS 39. It provides a comprehensive framework for the recognition, measurement, and disclosure of financial instruments. The standard introduces a forward-looking approach to recognizing Expected Credit Losses (ECL) on financial assets, aiming to enhance transparency, consistency, and risk management in financial reporting.

***Key Variables and Concepts in IFRS 9: Definitions, Impacts, and Relevant Literature***

| Variable /Concept | Definition/Description | Impact/Significance | Authors |
|---|---|---|---|
| Expected Credit Loss (ECL) | A forward-looking estimate of potential credit losses that banks must recognize at the time of loan origination. | Enhances financial stability by ensuring that banks account for potential losses early, rather than after they occur. | Eyal Salman et al. (2024) |
| Stages of Credit Risk | The three-stage model used to classify loans based on their credit risk status: Stage 1 (12-month ECL), Stage 2 (lifetime ECL), and Stage 3 (defaulted loans). | Encourages proactive risk management by considering the full life cycle of loans. | Engelmann & Pham (2020) |
| Probability of Default (PD) | The likelihood that a borrower will default on their obligations within a specified time frame. | Directly impacts the calculation of ECL; higher PD increases the estimated losses. | Engelmann & Pham (2020) |
| Loss Given Default (LGD) | The percentage of the total exposure that a bank would lose if a borrower default. | Influences the severity of expected losses; higher LGD leads to greater ECL. | Engelmann & Pham (2020) |
| Exposure at Default (EAD) | The total value that a bank is exposed to at the time of default, including undrawn credit lines. | Determines the overall risk exposure that a bank faces in the event of a default. | Engelmann & Pham (2020) |
| Loan Loss Reserves | Reserves that banks must maintain based on expected credit losses. | Strengthens the financial position of banks by ensuring they are prepared to absorb potential losses. | Eyal Salman et al. (2024) |
| Credit Risk | The risk of a borrower failing to meet their financial obligations, typically measured by the ratio of non-performing loans to gross loans. | Critical for assessing potential losses and impacts ECL calculations. | Eyal Salman et al. (2024) |

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|---|---|---|---|
| Bank Capital | The capital adequacy of banks, essential for absorbing losses and supporting lending activities. | Affects banks' ability to manage risks and maintain regulatory compliance. | Eyal Salman et al. (2024) |
| Profitability Metrics (ROA/ROE) | Return on Assets (ROA) and Return on Equity (ROE) are used to assess the impact of IFRS 9 on bank performance. | Provides insights into how IFRS 9 influences the financial health and operational efficiency of banks. | Eyal Salman et al. (2024) |
| Macroeconomic Factors | Economic indicators (e.g.,GDP, unemployment, inflation) that must be incorporated into ECL calculations. | Ensures that risk assessments are forward-looking and reflective of potential future scenarios. | Pastiranová & Witzany (2021) |
| Capital Transitional Arrangement (CTA) | A temporary measure allowing banks to use the incurred loss model for up to five years during the transition to IFRS 9. | Helps banks manage the impact of ECL on regulatory capital levels during the transition period. | Araceli Mora (2022) |
| Financial Transparency | The clarity and comparability of financial information under IFRS 9. | Enhances stakeholders' ability to make informed decisions based on accurate and comparable data. | Rodríguez-Rodríguez & Jaramillo-Calle (2024) |

***Sources: The Authors.2025***

### 1.2 Production of Standards

The development of IFRS 9 involved a rigorous and collaborative process led by the International Accounting Standards Board (IASB), with active participation from financial institutions, regulators, and other stakeholders. This process began with the identification of limitations in the previous standard, IAS 39, particularly its reliance on the incurred loss model, which was seen as inadequate for timely risk recognition. Stakeholder consultations played a critical role, providing valuable input to address.

These concerns and ensuring that diverse perspectives were considered. The publication of exposure drafts allowed for a further refinement of the standard through public feedback, culminating in the issuance of the final version with clear guidelines for implementation.

The significance of IFRS 9 lies in its ability to enhance financial stability, improve transparency, and align with regulatory goals. By requiring the recognition of Expected Credit Losses (ECL) at the time of the loan origination, the standard minimizes the accumulation of hidden credit risks, thereby bolstering the resilience of financial institutions. Additionally, IFRS 9 ensures that financial statements accurately reflect the risk profile of financial assets, fostering greater transparency and trust among stakeholders. The standard also complements broader regulatory frameworks such as Basel III, reinforcing the stability and reliability of the global financial system.

Grounded in the IASB's conceptual framework, IFRS 9 emphasizes three fundamental principles: relevance, faithful representation, and comparability. Relevance ensures that financial information provided under the standard is useful for decision-making, enabling stakeholders to make informed judgments. Faithful representation emphasizes the accuracy and completeness of disclosures, ensuring that financial statements genuinely reflect the economic realities they aim to depict. Comparability facilitates the assessment of financial performance across institutions, promoting consistency and coherence in financial reporting practices. Collectively, these principles underpin IFRS 9's transformative impact on financial reporting and risk management.

### 1.3 International and Moroccan Context of IFRS 9 Adoption

**Global Adoption:** IFRS 9 has been adopted by numerous countries worldwide, reflecting its importance in standardizing financial reporting practices. Developed economies, particularly in Europe, were among the first to implement the standard. Key challenges faced globally include:

- Adjusting IT systems to accommodate ECL calculations.

- Training personnel to understand and apply the standard effectively.
- Aligning IFRS 9 with local regulatory requirements.

**Adoption in Morocco:** Morocco has embraced IFRS 9 as part of its broader efforts to align its financial practices with international standards. Key aspects of the Moroccan context include:

- **Regulatory Support:** The Moroccan central bank (Bank Al-Maghrib) has actively guided banks in transitioning to IFRS 9.
- **Implementation Challenges:** Local banks have faced difficulties in sourcing high-quality data for ECL modeling and integrating forward-looking information.
- **Benefits Realized:** The adoption of IFRS 9 has enhanced the transparency and credibility of Moroccan financial institutions, improving their integration into global markets.

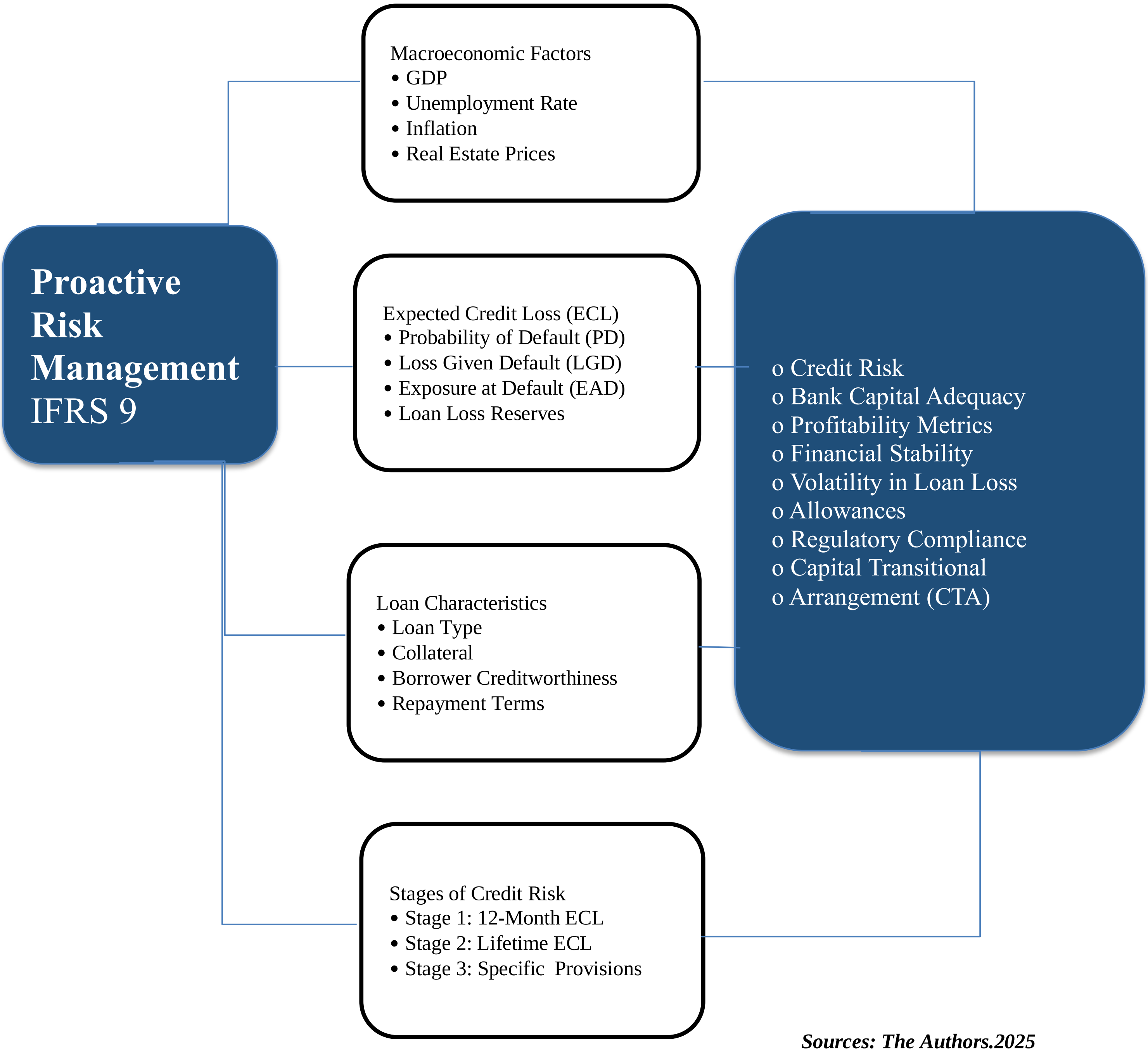
### 1.4 Conceptual Framework:

The conceptual framework that has been suggested for examining how IFRS 9 affects banking performance is intended to offer an in-depth understanding of the ways in which this financial reporting standard affects different facets of the banking business. The main components of IFRS 9, which require banks to record anticipated credit losses (ECL) at the time of borrowing, are integrated into the framework. The goal of this proactive strategy is to improve risk management and financial stability. A variety of banking performance criteria, including as credit risk, capital adequacy, profitability, financial stability, and regulatory compliance, are examined in the framework in relation to the standards of IFRS 9. The framework attempts to clarify the broader impact of IFRS 9 on the financial performance and operational efficiency of the banking industry by defining these interplays.

ISSN: 2658-8455
Volume 6, Issue 4 (2025), pp. 626-637.

IJAFAME International Journal of Accounting, Finance, Auditing, Management & Economics

***Conceptual Framwork of IFRS 9 and Banks Performance***




***Sources: The Authors.2025***

## 2. 2. Theoretical Review

### 2.1 Theories Related to International Accounting

Agency theory highlights the principal-agent relationship, particularly between shareholders and management, where divergent interests can arise. Management may prioritize short-term performance metrics or risk-taking behaviors that do not align with shareholders' long-term goals. IFRS 9 addresses this issue by mandating transparent reporting of credit risk, reducing information asymmetry, and enhancing decision-making for stakeholders. By implementing forward-looking impairment models, IFRS 9 ensures that financial institutions provide a clearer picture of their risk exposure, aligning managerial actions with shareholder interests.

Stakeholder theory posits that organizations must consider the interests of all stakeholders, including shareholders, regulators, clients, and society at large. IFRS 9 aligns with this theory by emphasizing financial transparency and stability, benefiting the broader financial ecosystem. The Expected Credit Loss (ECL) model enhances the predictability of financial statements, allowing stakeholders to assess risk exposure and make informed decisions. This regulatory framework fosters trust and confidence in financial markets, reinforcing the role of financial institutions as responsible corporate citizens.

Institutional theory explains how regulatory frameworks, such as IFRS 9, influence organizational practices. Institutions adopt these standards to conform to regulatory expectations, industry norms, and global financial best practices. By standardizing credit loss recognition, IFRS 9 ensures consistency and compliance across institutions, fostering global financial harmonization. The adoption of IFRS 9 by international financial institutions demonstrates the institutional pressure to maintain credibility, reduce systemic risk, and enhance comparability among financial statements across different jurisdictions.

### 2.2 Theories Related to Organizational and Banking Performance

The Resource-Based View (RBV) suggests that organizational performance is driven by the effective utilization of internal resources. In the context of banking, risk management and financial reporting are critical resources that influence long-term sustainability and competitiveness. IFRS 9 reinforces the importance of allocating resources towards developing robust risk management systems, ensuring that banks can accurately assess and mitigate potential financial risks. By mandating the implementation of forward-looking impairment models, IFRS 9 encourages financial institutions to leverage internal capabilities for proactive risk assessment. This systematic approach enhances the ability of banks to maintain financial stability, optimize capital allocation, and strengthen investor confidence.

The Dynamic Capabilities Theory emphasizes the ability of organizations to adapt to changing environments. The financial sector operates in a constantly evolving landscape influenced by economic cycles, regulatory changes, and market dynamics. IFRS 9 plays a crucial role in compelling banks to incorporate forward-looking information and Expected Credit Loss (ECL) provisions into their financial risk management practices. By requiring banks to continuously reassess their credit risk exposure in response to economic fluctuations, IFRS 9 fosters a more adaptive and resilient financial system. This adaptive approach enables banks to implement strategic risk mitigation techniques, safeguard their loan portfolios, and minimize the adverse effects of financial downturns.

Performance Measurement Frameworks provide a structured approach to evaluating organizational success by integrating both financial and non-financial metrics. The Balanced Scorecard, for example, highlights the significance of risk-adjusted profitability, financial transparency, and operational efficiency in measuring banking performance. IFRS 9 aligns with these frameworks by incorporating key risk indicators, ensuring that financial institutions maintain a balanced approach to risk and performance evaluation. The integration of IFRS 9 into performance measurement frameworks enhances financial stability, supports decision-making processes, and strengthens regulatory compliance. By embedding these principles into strategic planning, banks can achieve sustainable growth while maintaining accountability to stakeholders and regulatory bodies.

### 2.3 Implications for Banking Performance

Credit risk management is a fundamental aspect of banking performance, and IFRS 9 plays a crucial role in enhancing its effectiveness. By emphasizing forward-looking risk assessments, IFRS 9 improves the accuracy of credit risk measurement, reducing the likelihood of unexpected loan defaults. The Expected Credit Loss (ECL) model mandates that financial

institutions estimate potential losses based on historical data, current economic conditions, and future projections. This approach enables banks to take preemptive actions in managing risk exposure, strengthening their loan portfolios, and ensuring long-term financial stability. By proactively addressing credit risk, IFRS 9 supports a more resilient banking sector that can better withstand economic fluctuations and financial crises.
Profitability is another key consideration for banks, and the implementation of IFRS 9 has significant implications in this regard. The standard requires financial institutions to allocate higher loan loss allowances, which may initially impact profitability by increasing provisioning expenses. However, in the long run, IFRS 9 contributes to stable financial performance by ensuring that credit risk is recognized and addressed at an early stage. This proactive approach reduces the likelihood of sudden financial distress, improving investor confidence and fostering a more sustainable banking environment. Furthermore, banks that effectively integrate IFRS 9 into their risk management strategies can enhance pricing models, optimize loan origination processes, and improve capital efficiency, ultimately strengthening their profitability over time.
Financial stability is a primary objective of IFRS 9, as it aligns financial reporting with actual risk exposure and ensures transparency in risk assessment practices. By mandating a more realistic and comprehensive evaluation of credit losses, IFRS 9 enhances the resilience of banks to economic shocks. This standard helps prevent the accumulation of hidden risks within financial institutions, reducing the probability of financial crises and promoting sector-wide stability. Additionally, IFRS 9 encourages a more disciplined approach to risk management, fostering regulatory compliance and reinforcing the overall integrity of the banking system. By integrating forward-looking provisions, the standard plays a critical role in maintaining a sound financial landscape that supports long-term economic growth.
This theoretical review provides a structured analysis of the conceptual and practical implications of IFRS 9, offering a comprehensive understanding of its influence on accounting and banking performance. By exploring its impact on credit risk management, profitability, and financial stability, this review highlights the essential role of IFRS 9 in shaping a more transparent, resilient, and well-regulated financial sector.

### 2.4 Hypotheses in the Literature Review

Hypotheses in research help test theories and guide analysis.
*H1: IFRS 9 enhances financial reporting transparency and reduces information asymmetry.*
*H2: IFRS 9 strengthens financial stability by improving risk management.*
These hypotheses provide a foundation for evaluating IFRS 9's impact on financial performance and risk management.

## 3. Conceptual Models Synthesizing the Impact of IFRS 9 on Banking Performance

Based on the reviewed literature, several theoretical models have been identified to understand how IFRS 9 influences key aspects of banking performance. These models typically rely on combinations of crucial variables, such as Expected Credit Loss (ECL), Probability of Default (PD), Loss Given Default (LGD), and macroeconomic indicators, which are all essential for assessing the credit risk and financial health of banks.
In particular, IFRS 9 has introduced a more proactive approach to loan loss provisioning, emphasizing the use of forward-looking information to estimate credit losses over the lifetime of financial instruments. This shift has significant implications for the risk management practices of banks, impacting their capital requirements, loan loss provisions, and overall financial stability.
The theoretical models reviewed in the literature incorporate both microeconomic and

macroeconomic factors, often considering the relationship between financial variables and broader economic trends. For example, the integration of macroeconomic indicators such as GDP growth, Interest rates and the unemployment rate can provide a more complete picture.
These models rely on combinations of variables such as Expected Credit Loss (ECL), Probability of Default (PD), Loss Given Default (LGD), and macroeconomic indicators. The table below provides a comparative synthesis.

| Model Focus | Key Variables | Advantages | Limitations | References |
|---|---|---|---|---|
| Credit Risk | ECL, PD, LGD, EAD, macroeconomic vars | Covers main IFRS 9 components for credit risk | Complex to calibrate, data availability | Engelmann & Pham (2020) |
| Capital Adequacy | ECL, macroeconomic variables | Links credit losses to regulatory requirements | High sensitivity to macro factors | Eyalsalman et al. (2024) |
| Profitability (ROA/ROE) | ECL, Bank Capital, Loan Type | Evaluates operational impacts of IFRS 9 | May omit external strategic factors | Rodríguez-Rodríguez & Jaramillo |
| Volatility in Loan Losses | ECL, CTA, macroeconomic indicators | Highlights post-IFRS 9 volatility | Limited by historical variability | Pastiranová & Witzany (2021) |
| Regulatory Compliance | ECL, Capital buffers, CTA | Tracks readiness for IFRS 9 implementation | Regulatory changes reduce long-term comparability | Mora (2022) |

These conceptual models illustrate how the factors introduced by IFRS 9 impact various dimensions of bank performance. They provide a theoretical foundation for exploring how IFRS 9 influences credit risk management, financial stability, and decision-making within banks. By incorporating variables like Expected Credit Loss (ECL), Probability of Default (PD), and macroeconomic indicators, these models shed light on how banks adapt to the new standards.
Moreover, these models offer a basis for future empirical research. While they are conceptually sound, real-world validation is necessary to assess their effectiveness and refine their application in practice. Testing these models empirically will help determine their accuracy in predicting banking performance and support the evolution of more robust risk management frameworks under IFRS 9.

## 4. Limitations of the Proposed Models

While the models offer a robust framework for evaluating IFRS 9 impacts, they are subject to certain limitations. The reliability of the models heavily depends on the availability and quality of data for variables such as ECL, PD, LGD, and EAD. Incomplete or low-quality data can compromise the accuracy of the results. Additionally, these models rely on assumptions like linearity and constant variance in relationships among variables. Deviations from these assumptions in real-world contexts may limit their applicability. Furthermore, the models might not fully capture the nuanced interactions among IFRS 9 components and performance metrics, as other external factors or unobservable variables could influence the outcomes. The evolving nature of regulations and interpretations of IFRS 9 could also affect the relevance and precision of these models over time. Finally, the models are tailored to specific banking contexts and may have limited applicability to other regions or banking environments. Adapting these models to different settings requires careful consideration of contextual factors.
In summary, while the proposed models provide valuable insights into the impact of IFRS 9, addressing their limitations through further refinement and research is essential for enhancing their utility and generalizability.

ISSN: 2658-8455
Volume 6, Issue 4 (2025), pp. 626-637.


## 5. Conclusion

This article provides an in-depth analysis of the impact of IFRS 9 on multiple dimensions of banking performance, focusing on the transition from the incurred loss model under IAS 39 to the forward-looking Expected Credit Loss (ECL) framework. The study develops regression models that examine key financial indicators, including credit risk, capital adequacy, profitability, financial stability, loan loss allowance volatility, regulatory compliance, and the Capital Transitional Arrangement (CTA). These models serve as analytical tools to measure the direct and indirect effects of IFRS 9 on banking operations and financial stability.

From a theoretical standpoint, this research highlights the intricate relationships between IFRS 9 components—such as Expected Credit Loss (ECL), Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD)—and their impact on risk management and financial stability. By integrating these variables into a structured framework, the study extends existing knowledge on the role of IFRS 9 in shaping contemporary banking practices. The findings contribute to a more comprehensive understanding of how regulatory standards influence risk assessment models and financial decision-making within the banking sector.

In practical terms, the proposed models provide significant insights for financial institutions and regulatory authorities. Banks can leverage these models to enhance financial planning, refine risk mitigation strategies, and ensure better alignment with regulatory requirements. The proactive nature of IFRS 9 fosters early recognition of potential credit losses, enabling banks to maintain more stable financial positions and reduce systemic vulnerabilities. Furthermore, by improving transparency in financial reporting, IFRS 9 strengthens investor confidence and enhances market discipline. Similarly, regulators can use these insights to evaluate IFRS 9's effectiveness in fostering financial resilience and maintaining stability in the global banking system.

However, despite these contributions, the study acknowledges certain limitations. The accuracy of the proposed models depends on data quality, the validity of underlying assumptions, and the complexity of interactions between different financial variables. Additionally, evolving regulatory frameworks and macroeconomic conditions may influence the applicability of IFRS 9 over time, necessitating continuous refinements in risk assessment methodologies. Further empirical research is required to validate and enhance the robustness of these models across diverse banking environments. Addressing these limitations through more comprehensive datasets and refined methodologies will strengthen the predictive power of IFRS 9's risk assessment framework.

In summary, IFRS 9 represents a fundamental shift in financial reporting and risk management, promoting a forward-looking approach to credit risk assessment. The transition from incurred loss accounting to the ECL framework enhances financial transparency, improves risk anticipation, and contributes to overall financial stability. The models developed in this study provide a strong foundation for understanding and navigating these regulatory changes, offering valuable insights for both academic researchers and industry

practitioners. Future research should focus on refining these models and exploring their application across various economic contexts, regulatory landscapes, and financial institutions to maximize their relevance and practical utility. By continuously improving risk assessment methodologies under IFRS 9, banks and regulators can better safeguard financial stability and foster a more resilient global financial system.

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