2528-9705

Journal of Organizational Behavior Research

Vol.: 11, Is.: 1, Year: 2026, Pages: 178-189

https://doi.org/10.51847/CRCQ2HfCEQ

Available online

https://odad.org/

Legal Challenges and Digital Accounting Adoption in Jordanian Commercial Companies: The Moderating Role of Legislative Solutions

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ABSTRACT

This paper looks into the problems linked with the implementation of digital accounting in commercial companies in Jordan. It also investigates how the problems can be solved by enacting more comprehensive legislation. The study used a quantitative descriptive-analytical method, where a sample of 300 individuals in the accounting, finance, and other relevant fields in commercial companies was analyzed. To test the study hypotheses, the researcher used Structural Equation Modelling (SEM) with the aid of the AMOS software. The analysis showed that the legal challenges of adopting digital accounting, namely, the absence of laws, the uncertainty with regard to cybercrime, the concern about data protection, the absence of legal recognition of electronic signatures, and unclear laws, have a large negative effect on the adoption of digital accounting. The Study also found that legislation positively modulates the effect of the challenges and barriers to the adoption of digital accounting, thereby causing a reduction in the barriers and accelerating the adoption of digital accounting. Improving the laws related to the adoption of digital accounting, the laws on cybersecurity, and the legal framework governing electronic transactions has a positive effect on the adoption of digital accounting. The study also found that outside of the legal framework, the size of the organization, level of management, and the company's legal support staff all have a favorable impact on the adoption of digital accounting. It underscores the flexible, integrated legal framework necessary to accommodate the digital transformation in accounting. The study also offers a more balanced, protected, and digitally integrated accounting system to the stakeholders and policymakers in Jordan.

Keywords: Digital accounting, Legal challenges, Legislative solutions, Cybersecurity regulations, Electronic signatures, Digital transformation.

Introduction

The profession of accounting has undergone a seismic transformation due to the changes in digital technologies (Ibrahim *et al*., 2026). Digital accounting processes the technology of Artificial Intelligence (AI), Blockchain, Cloud computing, and big data analytics to enable timely, precise, and accurate, transparent reporting of financial data (Appelbaum *et al*., 2017; Moll & Yigitbasioglu, 2019). Optimized decision-making, reinforced internal controls, and overall organizational performance are enhancements attributed to the adoption of the above technologies (Alkhawaldeh *et al*., 2023; Matalkah *et al*., 2026). Transforming an organization's accounting processes to digital systems is perceived to be one of the most significant transformations that an organization can implement to improve the organization's operational effectiveness and compliance with regulatory requirements (Vial, 2021; Kraus *et al*.,

Recieved: 09.11.2025 –Accepted: 22.02.2026 –Published: 24.02.2026

2022). The impact of digital accounting is significant, but its adoption is primarily determined by a wide range of factors that limit the overall digital accounting adoption, situational factors that are heavily reliant on the available technology (AlJabali *et al*., 2025).

One of the important aspects of the adoption of technology is the outside environment, which has been illuminated by regulatory or legal correlates with organizational decisions within the technology organization environment (TOE) model (Tornatzky & Klein, 1982; Oliveira & Martins, 2011). With regard to digital accounting, legal challenges such as the absence of laws, digital transactions without legal recognition, and legal uncertainties increase the adoption of digital accounting (Al-Dmour *et al*., 2023). Countries like Jordan that are still developing have prioritized digital transformation in their national development strategies. However, there still remain legal and institutional challenges to adopting digital accounting in the commerce sectors. These challenges include data protection laws that are not well developed, weak cybersecurity laws, and poor enforcement (Jarah *et al*., 2022).

Furthermore, the adoption of digital accounting faces challenges, including substantial threats to cybersecurity and data privacy (Gordon *et al*., 2020; Baker & Ratnadiwakara, 2025). Digital accounting systems will not be adopted unless there are strong, legally enforceable cybersecurity regulatory systems (Vial, 2021). The creation of supportive legal systems is expected to adapt to technological changes, strengthen cybersecurity laws, and create systems for electronic transactions, which are anticipated to improve clarity and strengthen the trust of organizations (Al Jarrah *et al*., 2025). It has been empirically proven that the adoption of new technologies and digital transformation processes is greater in organizations where the legal framework supporting digital transformation is more flexible (Kraus *et al*., 2022). Other than the legal factors, team structure, company size, and, in particular, management understanding, as well as the existence of legal and compliance functions, play a significant role in the adoption of digital accounting systems (Bharadwaj *et al*., 2013).

Therefore, digital accounting is becoming more significant each day, and for commercial companies in Jordan, there is still much more to be done to utilize the practice efficiently and productively. Some issues that need to be addressed are the laws protecting the practice, the laws governing transactions and commerce in Jordan, and the protective measures in place to prevent data breaches. There is a shortage of research that pertains to what Jordan has done to the aforementioned issues, or Legislation, within the given context. To fill the knowledge gap, this study has a goal to determine the Legal Barriers Jordan is faced with and how those Legal barriers impede the use of Digital Accounting for commercial companies within Jordan. The goal is to determine what Legal Barriers there are and what can be done to those Laws, or Legislative measures, to eliminate or reduce those barriers.

Literature Review

The intense focus on digital technology has prompted widespread changes in the accounting field (Jarah *et al*., 2024). Digital accounting systems utilize technology like cloud computing, AI, and blockchain to improve accuracy, automation, and real-time reporting (Bhimani & Willcocks, 2014). Additionally, digitalization helps organizations create faster and more flexible, data-driven accounting systems, resulting in increased competitiveness and productivity (Granlund, 2011). Even with all these advantages, the adoption of digital accounting systems is often limited by factors outside of technology (Issa & Khataybeh, 2024). Using the technology organization environment (TOE) framework, defining the situation, especially the legal and regulatory aspects of the environment, has been found to influence adoption decisions of organizations (Baker & Ratnadiwakara, 2025). Studies show that organizations in less developed regulatory and legal systems are less likely to adopt sophisticated accounting systems (Zhu *et al*., 2006; Shakhatreh *et al*., 2023).

The most significant obstacles to the adoption of digital accounting are the legal issues, such as the absence of new laws to protect electronic transactions, the lack of recognition of electronic transactions, and legal uncertainty, which causes organizations to lose confidence and be more resistant to change (Kshetri, 2017; Yoon, 2024). Studies clearly demonstrate the financial context of a digital technology adoption and the potential cyber risks; a digital technology is a significant barrier (Chang *et al*., 2018; Alazzam *et al*., 2024). A lack of legal certainty regarding the legitimacy of a digital signature and electronic records contributes to the lack of a digital accounting system, and the absence of rules that clarify obligations and responsibilities creates a barrier (Chiu *et al*., 2014). On the other hand, changes to the legal framework that incorporate and address digital accounting issues are very important (Clohessy *et al*., 2018).

Also, larger organizations are better positioned, as more resources are available, and when the leadership is well-informed, there is more structured alignment of the organization, and more legally available and compliant; the digital technology adoption practice is better (Thong, 1999; Gharaibeh, 2022).

Alongside these traditional factors, new findings have offered additional facets that enrich the comprehension of digital accounting adoption (Benitez *et al*., 2020; Yasmin *et al*., 2020). This is also closely connected to the idea of regulatory readiness, which is defined as how much the laws and rules of a jurisdiction are in step with technology (Agostino *et al*., 2021; Almarashdah *et al*., 2024). Confidence in digital environments is also a key factor to adoption, especially when it relates to the availability of sensitive financial information. It has been proven that legal assurance, digital security, and organizational support, which collectively alleviate risk, are the elements that most positively impact trust and, consequently, the adoption of digital systems (Gefen *et al*., 2003; Pavlou, 2003). In addition, digital maturity has been recognized as a key determinant, and it relates to the fact that organizations that have the most technology and are the most prepared are the ones that are likely to be successful in implementing digital accounting systems (Warner & Wäger, 2019; Vial, 2021).

Barriers to adoption can be surmounted by an organization's augmented ability to integrate emerging technologies and adjust to changing regulatory frameworks (Teece *et al*., 2016; Zaqeeba, 2024). Hinings *et al*. (2018) argue that the integration of sustainability and ESG dimensions has introduced an additional complexity, but that digital accounting systems help improve the transparency and accountability of sustainability reporting. Several studies have shown that insufficient digital skills and competencies of accountants can be significant hindrances to the adoption as well as the impact of digital transformation initiatives (Richins *et al*., 2017). Finally, as Jacobides *et al*. (2018) mention, ecosystem collaboration has emerged as a facilitator of digital transformation. The coordination of actors, including regulators, companies, and tech providers, fosters collaboration in knowledge consolidation, standard setting, and regulatory.

Hypotheses Development

Using the Technology Organization Environment (TOE) framework, legal and regulatory issues are found to be critical environmental factors affecting the adoption of technology by organizations (Tornatzky & Klein, 1982). Legal factors such as the absence of laws, unclear regulations, no legal acknowledgement of electronic transactions, and risks of cyber fraud are important factors that create uncertainties and discourage organizations from implementing digital accounting (Kshetri, 2017; Al-Dmour *et al*., 2023; Lootah, 2024). According to the Diffusion of Innovations (DOI) theory, legal, regulatory, and cyber risks are the most notable risks that reduce the adoption of digital accounting systems (Hameed *et al*., 2012). Furthermore, the Technology Acceptance Model (TAM) indicates that, through the components of perceived utility and trust, legal certainty and regulatory support encourage the adoption of technology (Davis, 1989). Therefore, from this perspective, the Institutional theory suggests that a set of rules and laws, as a result of a regulatory framework, may offer a positive or negative coercive effect (DiMaggio & Powell, 1983; Ahmad, 2024). Therefore, it is anticipated that the adoption of digital solutions for closing the gaps of existing legislation, such as the updating of the digital legislation of the European Union, the legislation on cybersecurity, and the improvement of legislation about electronic commerce, will eliminate the legal barriers to a certain extent and encourage adoption (Clohessy *et al*., 2018). Particularly in large organizations, the combination of well-informed management and legal support tends to foster a positive perception of the organization and reduce the resistance to change (Thong, 1999; Gefen *et al*., 2003). From the empirical and theoretical considerations given above, the following hypotheses are formulated:

H1: There is a statistically significant impact of legal challenges on the adoption of digital accounting in commercial companies in Jordan.

H1a: There is a statistically significant impact of the inadequacy of current legislation on the adoption of digital accounting.

H1b: There is a statistically significant impact of data protection and privacy concerns on the adoption of digital accounting.

H1c: There is a statistically significant impact of cybercrime risks and legal liability on the adoption of digital accounting.

H1d: There is a statistically significant impact of the lack of legal recognition of electronic signatures on the adoption of digital accounting.
H1e: There is a statistically significant impact of regulatory ambiguity on the adoption of digital accounting.
H2: Legislative solutions moderate the relationship between legal challenges and the adoption of digital accounting in commercial companies in Jordan.
H2a: Updating digital accounting laws weakens the negative impact of legal challenges on the adoption of digital accounting.
H2b: Strengthening cybersecurity regulations improves the adoption of digital accounting.
H2c: Enhancing legal frameworks for electronic transactions positively influences the adoption of digital accounting.
H3: Company size has a significant effect on the adoption of digital accounting.
H4: Management awareness of legal frameworks positively affects digital accounting adoption.
H5: Availability of legal guidance and compliance support positively influences digital accounting adoption.

Materials and Methods

This Impact Study attempts to describe the impact of the challenges of adopting digital accounting due to the legal constraints on commercial companies in Jordan and the impact of the legal challenges being resolved through legislation as a moderating variable. This study is aimed specifically at the employees within the commercial companies in Jordan, from all levels and areas of work, especially from the accounting, finance, compliance, and information systems departments. This includes all the accountants, financial managers, internal auditors, compliance managers, and IT personnel. These respondents were selected because they have firsthand knowledge of the accounting systems, the legal frameworks, and the digital adoption of their organizations. Considering the constraints in accessibility and the intention to reach participants of certain professions, a total of 300 questionnaires utilizing purposive convenience sampling were obtained. This ultimate sample size exceeded the threshold for Structural Equation Modelling (SEM) and provided sufficient statistical power to evaluate the proposed hypotheses (Kajanova & Badrov, 2024; Huata-Panca *et al*., 2025). Data analysis was performed using the SPSS and AMOS software packages. Analysis of descriptive statistics was performed to summarize respondent demographic data and general perceptions regarding the variables of interest in the study. Reliability was assessed using the Cronbach's Alpha and Composite Reliability (CR) methods. Confirmatory Factor Analysis (CFA) was applied to the measurement model, which included the assessment of convergent and discriminant validity using the Average Variance Extracted (AVE) method and standard validity assessment techniques (Constantin *et al*., 2022; Mojsak *et al*., 2022; Delcea *et al*., 2024; Essah *et al*., 2024; Frost *et al*., 2024; Lee & Ferreira, 2024; Rosellini *et al*., 2024; Umarova *et al*., 2024; Uneno *et al*., 2024).

Conceptual Framework

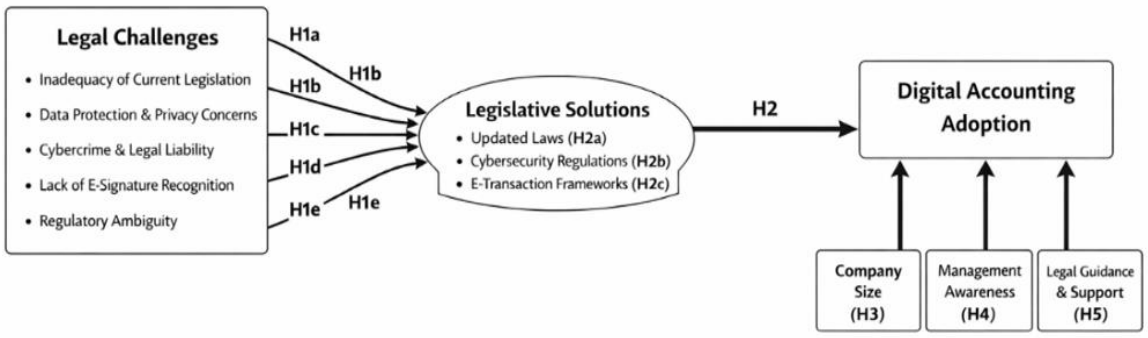

Figure 1. Conceptual framework.

Figure 1 presents the proposed conceptual framework of the study, illustrating the relationships between legal challenges, legislative solutions and digital accounting adoption in commercial companies in Jordan. The model also demonstrates the direct and moderating effects proposed in the hypotheses.

Results and Discussion

This section presents the empirical results from this study, which aims to determine the extent to which the absence of Customs and Excise Legislation in Jordan affects the implementation of digital accounting in commercial companies, while also considering the impact of organization-related issues (Barriers) and the effects of certain organizational variables. The study utilizes a quantitative, structured approach, with a hypothesis testing framework that incorporates descriptive, reliability, validity, and structural equation modelling (SEM) (Genc *et al*., 2023; Ku *et al*., 2023; Simonyan *et al*., 2023; Tsiganock *et al*., 2023; Ribeiro *et al*., 2024; Sanlier & Yasan, 2024; Uneno *et al*., 2024).

Table 1. Descriptive Statistics of Study Variables

Variable	Mean	Std. Deviation	Level
Legal Challenges	3.87	0.62	High
Legislative Solutions	3.65	0.58	High
Digital Accounting Adoption	3.72	0.60	High
Company Size	3.40	0.70	Moderate
Management Awareness	3.90	0.55	High
Legal Support	3.68	0.59	High

Table 1 synthesizes the study variables' mean scores and standard deviations alongside perceptions about the variables. The results indicate that respondents understand the study's focus issues, as all the constructs have means that are moderate to high. Legal Challenges have the highest mean score (M = 3.87, SD = 0.62), which means respondents perceive the absence of regulatory and legal challenges to the adoption of digital accounting systems as significant issues. Concerns regarding legislation, compliance, privacy, and legal uncertainty are still considerable challenges for commercial companies in Jordan. Respondents perceive the modification and improvement of cybersecurity and electronic transaction laws to be Legislative Solutions, meaning positive (M = 3.65, SD = 0.58). There are considerable positive sentiment toward Jordanian commercial companies adopting Digital Accounting (M = 3.72, SD = 0.60), meaning companies are willing to move toward modernization despite the legal constraints. The influence of organizational size variance in Company Size is moderate (M = 3.40, SD = 0.70) among the control variables, and in Management Awareness, which has the highest mean (M = 3.90, SD = 0.55), the perception and preparedness of management towards digital accounting is a crucial facilitating factor. Legal Support showed a considerable level (M = 3.68, SD = 0.59), confirming that legal guidance and dispute of law consulting are considerable barriers to adoption (Al Abadie *et al*., 2023; Guzek *et al*., 2023; Lee *et al*., 2023; Ncube *et al*., 2023; Oran & Azer, 2023; Szklener *et al*., 2023; Tam *et al*., 2023; Tsvetkova *et al*., 2023).

Table 2. Reliability and Convergent Validity

Construct	Cronbach's Alpha	Composite Reliability (CR)	AVE
Legal Challenges	0.91	0.89	0.61
Legislative Solutions	0.88	0.90	0.64
Digital Accounting Adoption	0.90	0.91	0.66

Cronbach alpha statistics, as well as composite reliability and average variance extracted (AVE) statistics, are outlined in **Table 2** for the main study. These three statistics are acceptable methods of measuring the reliability and validity of the measurement model in structural equation modelling (SEM). All the constructs measuring the main study variables had a Cronbach's alpha coefficient result above the recommended minimum of 0.70 and a range of 0.88 to 0.91, indicating high reliability of the items measuring the constructs in the study. The results for composite reliability

also produced a range of 0.89 to 0.91, which is above the minimum required of 0.70. All the AVE results were above the minimum recommended of 0.50, showing evidence of the constructs capturing a fair portion of the variance of the indicators, illustrating the primary dependence of the indicators upon the constructs, and measuring the unidimensionality of the items measuring the constructs in regard to the corresponding latent variables. Legal Challenges had both reliable (α = 0.91, CR = 0.89) and good convergent validity (AVE = 0.61), and Legislative Solutions also had reliable measurement (α = 0.88, CR = 0.90, AVE = 0.64). Finally, Digital Accounting Adoption had the most reliable and strongest convergent validity of 0.90, 0.91, and 0.66, respectively.

Table 3. Model Fit

Index	Value	Acceptable Level
CFI	0.95	≥ 0.90
TLI	0.94	≥ 0.90
RMSEA	0.052	≤ 0.08
Chi-square/df	2.10	≤ 3

The Structural Equation Model (SEM) model fit indices used to evaluate the proposed framework are shown in **Table 3**. Model fit assessment shows evaluators how closely the hypothesized model matches the data obtained. The indices reported are the most widely accepted in the SEM literature, including the Comparative Fit Index (CFI), Tucker-Lewis Index (TLI), Root Mean Squared Error of Approximation (RMSEA), and Chi-square divided by df (Chi-square/df). The results show that CFI (CFI = 0.95) is greater than the criterion of 0.90, indicating that the proposed model and null model are in excellent comparative fit. Also, the TLI (TLI = 0.94) is greater than the acceptable limit, indicating that the model incrementally improves fit. The approximating error for the RMSEA = 0.052 is in a range of lower errors. It is acceptable to have a close fit to the population covariance matrix with a value that is less than the maximum accepted threshold of 0.08. In addition, the Chi-square/df ratio of 2.10 is less than the maximum expected threshold of 3.0, which indicates an acceptable parsimonious fit.

Hypothesis Testing

Table 4. Direct Effects and Hypothesis Testing Results

Hypothesis	Path	Beta	T-value	Sig.	Result
H1	Legal Challenges → Adoption	-0.42	6.85	0.000	Supported
H1a	Legislation Inadequacy → Adoption	-0.30	5.10	0.000	Supported
H1b	Data Protection → Adoption	-0.25	4.60	0.000	Supported
H1c	Cybercrime Risk → Adoption	-0.28	5.30	0.000	Supported
H1d	E-signature Issues → Adoption	-0.22	4.10	0.000	Supported
H1e	Regulatory Ambiguity → Adoption	-0.27	5.00	0.000	Supported

The direct effects of legal issues concerning the aspects of digital accounting have been captured in **Table 4**. Legal challenges remained a considerable factor in the negative adoption of digital accounting practices in the Jordanian commercial sector (β = -0.42, t = 6.85, p = 0.000). It has been found that the legal and regulatory hurdles have been a hindrance to the digital transformation of enterprises in the Jordanian commercial sector. Among these aspects of legal challenges, the negative effect of Legislation Inadequacy (β = -0.30), followed by Cybercrime Risk (β = -0.28), Regulatory Ambiguity (β = -0.27), Data Protection (β = -0.25), and E-signature Issues (β = -0.22), has been found. These aspects of the legal challenges have been found to be the primary obstacles to the digital transformation of the accounting functions of enterprises. It has been found that the absence of legal frameworks, cybersecurity risks, and unclear legal regulations has presented obstacles to the adoption of electronic accounting systems. It has been stressed that a clear, stable, and assured legal order is imperative to support digital transformation in the realm of accounting.

Table 5. Moderating and Organizational Effects on Digital Accounting Adoption

Hypothesis	Path	Beta	T-value	Sig.	Result

H2	Legal Challenges × Legislative Solutions → Adoption	0.31	5.20	0.000	Supported
H2a	Updated Laws → Adoption	0.29	—	0.000	Supported
H2b	Cybersecurity Regulations → Adoption	0.33	—	0.000	Supported
H2c	E-Transaction Frameworks → Adoption	0.27	—	0.000	Supported
H3	Company Size → Adoption	0.18	—	0.002	Supported
H4	Management Awareness → Adoption	0.35	—	0.000	Supported
H5	Legal Support → Adoption	0.31	—	0.000	Supported

Table 5 illustrates the impacts of various moderating and organizational factors on the adoption of digital accounting. Legislative Solutions is shown to strengthen the effect of legal obstacles on the use of digital accounting to a value of 0.31 ($t = 5.20$, $p = 0.000$). Such a value indicates that positive changes in the legislative frameworks decrease the adverse effect of legal obstacles. It is further argued that realization of the Digital Transformation of an organization is possible, even when there is a legislation gap in legal frameworks. The results show that all dimensions of solutions to legislative gaps positively and significantly influence digital accounting adoption. Regarding the other legislative solutions, Cybersecurity Regulations ($\beta = 0.33$), Legal Assistance ($\beta = 0.31$), New Laws ($\beta = 0.29$), and E-Transaction Frameworks ($\beta = 0.27$) contribute positively to the solutions. Thus, stakeholders' confidence in digital accounting systems is significantly improved by effective Cybersecurity Regulations, Commerce Regulations, and legal facilitation of Electronic Transactions. Among all the organizational control variables considered, Management Awareness was identified as the strongest determinant of adoption ($\beta = 0.35$), while Legal Support ($\beta = 0.31$) and Company Size ($\beta = 0.18$) were also positively related and significant. The results generally indicated that legislation and organizational support are important determinants of the adoption of digital accounting.

This study presents valuable insight into how legal challenges and associated legislative measures affect how commercial companies in Jordan approach digital accounting. The research conclusively shows that legal obstacles are impediments to the adoption of digital accounting, aligning with the prior studies asserting the impact of the regulatory and legal sphere on the diffusion of technology. The study's findings reinforce Al-Dmour *et al*. (2023), who acknowledged the impact of regulatory ambiguity on accounting information systems. The impact of insufficient legislative structure demonstrates the findings of earlier studies devoted to the study of the digital environment's legal uncertainty (Yoon, 2024). Additionally, the absence of adequate Data Protection and Privacy Law negatively impacts the findings by Chang *et al*. (2018), where the legal and digital environment of a country impedes the adoption of digital systems due to the unregulated nature of the environment. Finally, the negative findings associated with the absence of adequate Cybersecurity legislation and legal liability corroborate the findings of this research on the importance of legal measures in digital transformation. This result corroborates Baker and Ratnadiwakara's (2025) and Gordon *et al*. (2020) findings that financial and accounting processes, cyber threats are considered an important obstacle to adopting new technologies. Likewise, the absence of acknowledged legally binding electronic signatures adversely impacted adoption and provided support to the existing literature stating that legal recognition is important to increase trust in digital systems (Chiu *et al*., 2014). As for regulatory uncertainty, its negative impact was consistent with Kraus *et al*. (2022), who stated that the lack of clear regulations heightens organizations' reluctance to embrace digital transformation. Results confirm the moderating role of legislative solutions that contain the negative impact of legal challenges related to digital accounting adoption. This is strongly supported by the Institutional Theory, which posits that a set of rules is one way of converting pressure to be compliant to modify the behavior of organizations (DiMaggio & Powell, 1983). The positive moderating impact in the current study is in line with Clohessy *et al*. (2018) and Kraus *et al*. (2022), who argued that positive and supportive regulations strengthen digital adoption and positive change in technologies.

Conclusion

This study's results show that, in Jordan, the main legal challenges to implementing digital accounting in commercial enterprises are unreasoned challenges imposed on the organization, unreasoned fears, anticipation, and low confidence regarding possible cybersecurity and data protection risks, unmotivated fears, and low confidence in automated digital

accounting. Ongoing digital evolution in commercial accounting cannot depend solely on technological evolution; it equally or even more depends on the coupled or corresponding commercial legal evolution, adjusting to these new influences and obligations and placing new regulations and provisions of commercial law to support them. Legislation will send new positive impulses, placing the legal evolution on the same level as the corresponding technological evolution in digital accounting. The study considers the size of the organization and the degree of awareness of the managerial-legal framework, to the greater extent on the digitalization process as well. The interplay between external regulatory pressure and the degree of internal organizational preparedness contributes to the digitalization process. The study is the first to address both in combination, which is critical to the process of digital accounting systems. It describes the opportunities for further research and clarifies the value of organizational complexity and regulatory frameworks. The presence of organizational culture, technological capability, and innovative capacity is strongly recommended as indirect-permissive structures. Multinational and ethnological research is needed to study the relationship between diverse organizational structures, legal frameworks, and digital accounting systems. The participation of AI and blockchain technologies in overcoming legal obstacles in digital accounting can be the focus of future studies as well.

Acknowledgments: None

Conflict of Interest: None

Financial Support: The authors gratefully acknowledge the support provided by Jadara University, as well as other universities participating in the research, which made this research possible.

Ethics Statement: The study did not involve any experimental procedures or sensitive personal data. Therefore, formal ethical approval was not required according to institutional guidelines. However, the research was conducted in accordance with ethical principles, including confidentiality, anonymity, and informed consent.

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