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The Impact of the Implementation of Sharia Accounting on Company Values Along with the Development of Sharia Accounting in Indonesia

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Abstract: *This study discusses the growing relevance of Sharia accounting in Indonesia's economic environment, which emphasizes Islamic principles prohibiting usury, uncertainty, and gambling. The research aims to analyze the impact of Sharia accounting implementation on firm value within the context of its regulatory and institutional development in Indonesia. A qualitative approach with library research was employed, using a purposive sample of 20–30 sources published between 2021 and 2025 from Sinta, Scopus, and Google Scholar databases. Data were collected from books, journals, and institutional documents, analyzed through thematic synthesis and triangulation techniques to ensure data validity. The findings reveal that the implementation of Sharia accounting enhances firm value through improved stakeholder trust, better transparency, and access to Sharia-compliant markets. The conclusion underscores that consistent application, human resource capacity building, and technological adaptation are essential to overcome regulatory challenges and ensure sustainable Sharia-based business practices.*

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Introduction

In the era of globalization and digital economic transformation, Sharia accounting is gaining popularity due to its principles based on Islamic law, such as the prohibition of usury (riba), gharar (gharar), maysir (gambling), and haram (forbidden) businesses, which distinguish it from conventional accounting. In Indonesia, this practice is growing rapidly with government support through Sharia accounting standards as a guide for Islamic financial institutions, leading many companies to adopt it to meet the demands of the large Muslim market. This phenomenon reflects business awareness of the importance of fairness, transparency, and sustainability in financial transactions, which are increasingly relevant amidst international trade [Aditya Ramadhan & Kartika Novitasari, 2023] [Purwani & Fitriyani, 2023].

The development of Islamic accounting in Indonesia is also marked by increased adoption by the financial and non-financial sectors, driven by consumer demand for Islamic-compliant products that enhance global competitiveness. This not only ensures Islamic compliance but also opens access to financing and an expansive Islamic market, as evidenced by the growth of Islamic banking and sukuk issuances. This phenomenon demonstrates the potential of Islamic accounting as a modern business strategy amidst the dominance of conventional reporting [Budiyono, 2020][Srimaya & Amalia, 2023].

However, uncertainty remains regarding the actual impact of Islamic accounting implementation on company value, as measured by indicators such as market value, profitability, growth, and reputation. Many studies demonstrate a positive impact through increased stakeholder trust, but the results are inconsistent due to variations in methodology and local context. This issue is further complicated by the dynamic development of Islamic accounting, including the evolution of standards and implementation challenges [Ningsih et al., 2023] [Latif & Kusumawati, 2023].

Another issue arises from a limited understanding of how recent developments, such as convergence with international standards and innovation in Islamic financial instruments, moderate the relationship between Islamic accounting and firm value. In Indonesia, dynamic regulations and a lack of harmonization of standards often hinder efficient implementation, potentially resulting in suboptimal firm value despite Sharia commitments. This necessitates in-depth analysis to confirm its effectiveness [Purwani & Fitriyani, 2023][Ilyas, 2020].

An additional challenge lies in the lack of contemporary empirical evidence integrating Islamic accounting development factors with firm value metrics such as Tobin's Q or PBV in the Indonesian market. Previous research tends to be fragmented, making it difficult to draw general conclusions about the long-term contribution to business sustainability. This issue is crucial because firm value reflects future expansion potential amidst global competition (Aditya Ramadhan & Kartika Novitasari, 2023] [Ningsih et al., 2023].

This study aims to analyze the impact of the implementation of sharia accounting on firm value, considering its development in Indonesia through library research. Its urgency lies in the need for business practitioners to develop sharia-based strategies to enhance competitiveness in the world's largest Muslim market. Its novelty provides an up-to-date synthesis that integrates regulatory dynamics from 2021 to 2025, surpassing previous studies that have underemphasized the moderating impact of standard developments. Thus, this study contributes to the sharia accounting literature with practical recommendations for companies [Srimaya & Amalia, 2023][Latif & Kusumawati, 2023].

Research methods

Types and Methods of Research

This study uses a qualitative approach with a library research method, involving the collection and analysis of secondary documents to explore the impact of the implementation of Islamic accounting on company value in Indonesia. This method was chosen because it allows for a comprehensive synthesis of the current literature, in accordance with Sugiyono's (2023) recommendation, which emphasizes library research as an effective strategy for in-depth theoretical studies on Islamic accounting and economics. This qualitative approach also aligns with Triandini et al. (2021), who stated that a systematic literature review is ideal for identifying development patterns in fields of study such as Islamic accounting through academic databases.

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Data Analysis Instruments and Techniques

The primary research instruments included literature sources such as journal articles, books, fatwas, and publications related to Islamic accounting accessed through trusted platforms like Google Scholar, university repositories, and scientific databases. Data analysis techniques involved verifying the validity of sources, critically analyzing content, and synthesizing thematic data to construct a coherent argument regarding the relationship between Islamic accounting and firm value. This process followed the systematic steps of Emzir (2022), who recommends thematic coding and source triangulation to enhance validity in qualitative literature studies, and Sudaryono (2023), who highlighted data grouping based on themes such as Islamic compliance and firm value indicators.

Population and Sample

The study population consisted of all Indonesian and English-language scientific literature relevant to the topic of the influence of Islamic accounting on firm value from 2021 to 2025, including journals indexed by Sinta, Scopus, and Google Scholar with active DOIs. A purposive sample of 20-30 primary sources was selected based on inclusion criteria such as topic relevance, most recent publication year, and methodological quality, including references from bibliographies such as Aditya Ramadhan and Kartika Novitasari (2023) and Purwani and Fitriyani (2023). This selection adopted the purposive sampling principle of Creswell and Poth (2022), which is effective for literature studies to ensure a comprehensive representation of the development of Islamic accounting in Indonesia.

Research Procedures

The research procedure began with the identification of keywords such as "Islamic accounting," "firm value," and "development of Indonesian Islamic accounting" for an initial search in Google Scholar, followed by the collection and filtering of sources based on relevance and novelty. Descriptive and thematic analyses were then conducted to integrate the findings, concluding with a synthesis of conclusions and practical recommendations. These steps were systematically designed in accordance with Sugiyono's (2023) guidelines for library research and Sudaryono's (2023) guidelines, which emphasize analytical iteration to avoid bias, thus yielding a deeper understanding of the dynamics of the topic.

Results and Discussion

The Use of Sharia Accounting Affects Company Value

The implementation of Sharia accounting has significant potential to increase company value [Waty et al., 2023] [Budiyono, 2020]. Correct and consistent implementation can increase stakeholder trust, strengthen the company's reputation and image, and open access to the growing Sharia financing and market [Triandini et al., 2019] [Ramadhan & Novitasari, 2023]. By presenting transparent and Sharia-compliant financial reports, companies can attract investors, clients, and Sharia financial institutions, thereby supporting growth and expanding future business opportunities [Ningsih et al., 2023][Latief & Kusumawati, 2023].

Furthermore, a company's commitment to the principles of fairness, transparency, and social responsibility strengthens consumer perceptions and contributes to increased company value [Waty et al., 202][Budiyono, 2020]. Furthermore, Sharia accounting enables companies

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to enter the growing Sharia market, attract new investors, increase sales, and expand their customer base.Therefore, implementing Sharia accounting is not only a tool for compliance with Sharia principles but also an effective strategy for enhancing a company's value, reputation, and competitiveness [Latief & Kusumawati, 2023] [Triandini et al., 2019].

The use of Islamic accounting can significantly impact company value in the context of current Islamic accounting developments [Waty et al., 2023][Budiyono, 2020]. The following are several factors to consider when analyzing this influence:

1. **Compliance with Sharia Principles**

   By using Sharia accounting, businesses are guaranteed to conduct their financial operations in accordance with Sharia guidelines. This includes the prohibition of riba (interest), gharar (uncertainty), maysir (gambling), and businesses that are considered haram in Islam. By following these guidelines, companies can build trust among clients, shareholders, and other stakeholders, as well as legitimacy from a religious perspective [Waty et al., 2023] [Budiyono, 2020]. As a result, a company's reputation and market value can increase [Ningsih et al., 2023] [Ramadhan & Novitasari, 2023].

2. **Access to Sharia Market**

   By using sharia accounting, companies can gain access to the sharia market and the industry will continue to grow. This market is populated by investors and customers who value products and services that comply with sharia law [Budiyono, 2020] [Waty et al., 2023]. By using sharia accounting, companies can increase their market share, attract new investors, and win the hearts of customers who have preferences based on sharia principles. Buyers make decisions about various matters based on sharia law. This can increase company value [Latief & Kusumawati, 2023] [Triandini et al., 2019].

3. **Transparent and Comprehensive Information Disclosure**

   Sharia accounting encourages companies to provide accurate, up-to-date data that is in accordance with Sharia law [Waty et al., 2023] [Budiyono, 2020]. Given the current state of Sharia accounting, there is a growing need for more complete and honest information regarding Sharia financial practices. Companies can gain stakeholder trust and enhance their corporate value by successfully demonstrating their commitment to Sharia principles and their financial performance within this context [Latief & Kusumawati, 2023][Triandini et al., 2019].

4. **Development of Sharia Accounting Standards**

   The current evolution of Islamic accounting also includes the development and implementation of more comprehensive Islamic accounting standards. Improving Islamic financial reporting can be facilitated by implementing these standards .In this context, businesses that adopt and appropriately use Islamic accounting principles can provide accurate and reliable financial information to. This can benefit the assessment and perception of organizational value [Waty et al., 2023][Budiyono, 2020].

Modification of Sharia Accounting Standards

Sharia accounting practices have changed and evolved in response to stakeholder expectations for Sharia-compliant financial reporting and the increasingly sophisticated expansion of the Sharia financial industry [Jusri & Maulidha, 2020] [Latifah et al., 2022]. Sharia accounting practices are currently evolving and adapting to keep pace with the developments and complexities of the Sharia financial sector [Yuesti et al., 2020] [Jusri & Maulidha, 2020].

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For shareholders, investors, creditors, and other stakeholders, these financial statements are crucial for financial analysis, investment decision-making, performance evaluation, and monitoring compliance with accounting requirements.

Some of the changes that have occurred in current Islamic accounting practices include:

1. **Sharia Accounting Standards**

   Sharia accounting regulations are continuously developed and updated by groups and institutions such as the International Islamic Financial Market (IIFM) and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). These modifications are designed to take into account the various complex elements of Islamic finance, including new financial instruments, Islamic financing, and business practices [Yuesti et al., 2020][Jusri & Maulidha, 2020]. These updates ensure that Sharia accounting principles remain up-to-date and meet the needs of the Islamic finance industry [Latifah et al., 2022] [Yuesti et al., 2020].

2. **Convergence with International Accounting Standards**

   Along with the development of unique Islamic accounting standards, efforts are underway to integrate Islamic accounting procedures with generally accepted international accounting standards.This aims to enhance Islamic accounting expertise and global harmonization while enabling comparability of financial statements between Islamic and conventional financial organizations. When using international accounting standards, in some cases, adjustments or specific interpretations may be required to accommodate Islamic beliefs.

3. **Development of Islamic Financial Instruments**

   The development of complex and sophisticated Islamic financial instruments has influenced Islamic accounting practices [Jusri & Maulidha, 2020][Latifah et al., 2022]. This necessitates adjustments to how specific Islamic financial products are understood, measured, and reported, particularly niche financial instruments [Yuesti et al., 2020][Jusri & Maulidha, 2020]. For example, the existence of sukuk (Islamic bonds) and profit-sharing financial instruments requires a detailed understanding of the structure and characteristics of these products, as well as the application of tools to evaluate their structure and features in accordance with Islamic principles [Latifah et al., 2022][Yuesti et al., 2020]. Valuation procedures are used to enforce Islamic norms [Jusri & Maulidha, 2020][Latifah et al., 2022].

4. **Audit and Supervision**

   Sharia accounting principles also strengthen the audit and oversight process [Yuesti et al., 2020; Jusri & Maulidha, 2020]. Auditors and supervisory organizations must have adequate knowledge and awareness of Sharia business practices and principles to conduct accurate and effective audits [Latifah et al., 2022][Yuesti et al., 2020]. During the audit process, compliance with Sharia accounting standards and applicable Sharia principles must be considered [Jusri & Maulidha, 2020] [Latifah et al., 2022].

5. **Sharia Compliance in Business Practices**

   Sharia accounting practices are evolving in line with the overall context of Sharia compliance in business activities [Yuesti et al., 2020] [Jusri & Maulidha, 2020].

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Complying with Sharia law across all aspects of their corporate operations is becoming increasingly important for Sharia-compliant companies and financial institutions [Latifah et al., 2022][Yuesti et al., 2020]. Sharia accounting is becoming increasingly important as a tool to ensure that business transactions and activities comply with Sharia law [Jusri & Maulidha, 2020][Latifah et al., 2022].

Sharia accounting procedures are currently being modified and adapted to meet the complex requirements of the Islamic financial. With these adjustments, it is hoped that Sharia accounting principles will remain valid and Sharia accounting procedures will remain consistent and up-to-date [Latifah et al., 2022][Jusri & Maulidha, 2020].

The Implementation of Sharia Accounting and Its Impact on Business Reputation and Stakeholder Trust

The use of Islamic accounting can be closely related to a company's reputation and stakeholder trust [Nurfajarani et al., 2018][Aditya Ramadhan & Kartika Novitasari, 2023]. This relationship is explained by the following factors:

1. **Corporate Image that Conforms to Sharia Values**

   Businesses that use sharia accounting can demonstrate their commitment to sharia principles, such as fairness, transparency, and social responsibility. This can help businesses look better in the eyes of stakeholders, including customers, shareholders, and the general public. Companies with a good reputation for implementing sharia principles honestly and consistently have a higher chance of success [Burhany et al., 2020][Jusri & Maulidha, 2020].

2. **Stakeholder Trust in Transparency and Compliance**

   Implementing sharia accounting consistently and accurately can increase stakeholder trust. When financial reports are prepared in accordance with these criteria and present clear information, there will be a greater perception that the company operates with high integrity and adheres to sharia principles. A high level of trust can enhance a business's reputation [Aditya Ramadhan & Kartika Novitasari, 2023] [Jusri & Maulidha, 2020].

3. **Evaluation and Perception of Company Values in Increasing Attractiveness for**

   Potential Stakeholders Companies can become more attractive to potential stakeholders, such as investors and partners, by effectively using sharia accounting. Introducing the company to potential investors and business partners. Stakeholders who support sharia are more likely to support companies that apply sharia principles in their accounting and commercial operations. By implementing sharia accounting, companies can build a strong reputation with potential stakeholders and persuade them to collaborate or invest in order to stimulate their interest in collaborating or investing [Aditya Ramadhan & Kartika Novitasari, 2023][Jusri & Maulidha, 2020].

4. **Building Good Relationships with Islamic Financial Institutions**

   Proper implementation of sharia accounting can increase a company's chances of establishing good cooperative relationships with Islamic financial institutions [Jusri & Maulidha, 2020][Burhany et al., 2020]. According to the rules and regulations of Islamic financial institutions, the accounting methods of companies collaborating with them must comply with Sharia principles. By meeting certain criteria, companies can

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obtain financial support and services from Islamic financial institutions, which can help the company grow and succeed [Burhany et al., 2020][Jusri & Maulidha, 2020].

The use of sharia accounting is crucial for building a positive reputation and increasing stakeholder trust, which in turn provides a competitive advantage for companies [Aditya Ramadhan & Kartika Novitasari, 2023][Nurfajarani et al., 2018]. However, its implementation faces various challenges, including the complexity of sharia principles such as the prohibition of riba (usury), gharar (gharar), and maysir (gambling), as well as a lack of standardization that complicates the selection of appropriate accounting techniques.

Other constraints include limited human resources with adequate knowledge of sharia accounting, as well as the need for staff training and development to ensure effective implementation. Company infrastructure and technology may also not yet support sharia standards, often necessitating adjustments to accounting information systems [Burhany et al., 2020][Jusri & Maulidha, 2020]. Furthermore, the uncertainty and dynamic nature of sharia accounting laws, regulations, and standards require companies to adhere to guiding principles, keep abreast of regulatory developments, and adopt appropriate recommendations [Aditya Ramadhan & Kartika Novitasari, 2023][Nurfajarani et al., 2018].

Despite these challenges, corporate commitment remains crucial (Jusri & Maulidha, 2020; Burhany et al., 2020). Strategies to address these challenges include investing in education and training, building a network of sharia accounting experts, and continuously updating knowledge to ensure the implementation of sharia accounting remains effective and aligned with the latest developments in the field [Nurfajarani et al., 2018] [Aditya Ramadhan & Kartika Novitasari, 2023].

Conclusion

Based on a literature review, the implementation of sharia accounting has consistently been shown to increase company value through increased stakeholder trust, a positive reputation, access to sharia markets, and greater transparency in financial reporting. Key findings indicate that factors such as compliance with sharia principles, the evolution of AAOIFI standards, convergence with IFRS, and the development of instruments such as sukuk strengthen business competitiveness, particularly in the Indonesian financial sector. However, this study's limitations lie in its library research approach, which relies on secondary sources, thus lacking primary empirical data from specific companies and failing to quantitatively test causal relationships in a non-financial context.

Practical implications suggest that companies adopt Sharia accounting through human resource training, technological adaptation, and collaboration with Sharia institutions to maximize market value. Future research should employ mixed-methods approaches or empirical surveys on a sample of publicly listed companies listed on the Indonesia Stock Exchange (JII) to examine the moderating effect of regulatory developments on indicators such as Tobin's Q, thereby generating more applicable recommendations for policymakers at the Financial Services Authority (OJK) and the Indonesian Ulema Council (DSN-MUI) [Ningsih et al., 2023][Srimaya & Amalia, 2023].

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