

Shariah Accounting in Indonesia: Lessons and Inspirations From Pakistan

Bastaka Ilham Akbar¹, Murniaty Mukhlisin²

^{1,2}Institut Agama Islam Tazkia

e-mail: 12107.bastaka.011@student.tazkia.ac.id, ² murniaty@tazkia.ac.id

Received: 10 June 2024; Revised: 27 June 2024; Published: 30 June 2024

Abstract

This paper delves into the historical evolution of Shariah accounting in Pakistan, reflecting on its significance and addressing contemporary challenges. This study discusses its relevance and future issues herein. Though this study focuses on a specific context of adopting Shariah into the overall framework of financial and economic sectors of Pakistan, the method incorporates the elements of historical methods, regulatory histories, industry evolutions. It analyses the significance of the Shariah accounting on managerial practices, investment decisions and socio-economic growth. In this sense, the research exposes present-day problems and possibilities that apply to the continuous debate on Shariah accounting. Consequently, it provides a wealth of insight for Indonesia on the way forward to advancing Shariah accounting standards. The study uses Qualitative content analysis, according to the aim of ensuring that the research is holistic, a wide range of texts is used by the study.

Keywords: Islamic Accounting; Historical Development, Reflection, Challenges.

INTRODUCTION

The development and growth of Islamic finance and banking have garnered significant global interest, particularly among nations with sizeable Muslim communities. Pakistan stands out for its pioneering role in establishing Sharia-compliant financial structures. Over the past three decades, Islamic banking and finance (IBF) have significantly expanded, with Pakistan being one of the first countries to fully adopt a Sharia system (Trade Finance and Business, 2019).

In this regard, the phenomenon of Sharia accounting procedures plays a vital role in Pakistan's financial sector and the observance of Sharia norms. The establishment of Islamic accounting in Pakistan is in consonance with broad emendatory effort aiming to integrate Islamic shariah into the overall framework economic paradigm of Pakistan. Therefore, this study examines the historical evolution and current state of Sharia accounting in Pakistan, providing insights that are valuable for Indonesia. This study aims to explore the historical milestones and current trends in Sharia accounting in Pakistan; analyze the role and significance of Sharia accounting in Pakistan's financial system; evaluate current challenges and opportunities for Sharia accounting; By addressing these objectives, the study contributes to the ongoing discourse on the future of Sharia accounting, offering lessons and inspirations for Indonesia.

This study delves into the effects of Islamic accounting on financial decision-making, corporate practices, and socio-economic growth in Pakistan. It also considers challenges as well as opportunities for the further advancement of Sharia accounting. This is to mean that qualifications of conventional research results with other nations or more detailed evaluation of specific Islamic finance accounting methods are missing in the study. This is done with an aim of contributing to the scholarship within the area of Islamic finance and accounting and present valuable information to the researcher, practitioner, and policy maker.

The remainder of this paper is organized as follows. The next section discusses the relevant literature review and previous research related to this topic. The research methodology is then described in detail, including the approach taken, data collection, and analysis performed. The results section presents the main findings and the discussion section of the research. These findings in a broader context and relates them to Historical Views of Islamic Accounting Development in Pakistan and lessons learnt from Pakistan's Islamic Accounting Development. Finally, the conclusion summarizes the key contributions of this study and points to directions for further research in the future challenge for Indonesia and Pakistan in Islamic accounting development

The Qur'an, hadith, and scholarly understanding of the Islamic economy involve set of norms and regulations the culture the Islamic economy applies into the conventional accounting and financial systems for justified and equitable society (Endah, et al., 2023). However, it is called Islamic accounting the study of implementing accounting systems and applying concepts in the

light of Shariah. They work towards the enhancement of information systems and accounting practices due to compliance with Islamic values and standards. Evidently, Islamic accounting recognizes psychological impacts of *riba* and averts legal interest while stressing the importance of accountability, disclosure, and ethical demeanour in business dealings, as noted by Achmad et al. (2023)

Over the last three decades, there has been a significant increase in the literature on accounting from an Islamic perspective, notably within Islamic banking organizations. This expansion corresponds to the growth of the Islamic banking and finance (IBF) business, which is driven by the necessity to set accounting rules specific to these institutions. Alternative financial transactions, which are inherent to Islamic finance, have a significant impact on accounting methods, necessitating the establishment of specific treatments and standards. The endeavour to establish an Islamic accounting system constitutes a relatively new attempt in the modern world, but it finds confirmation in historical precedents, highlighting its relevance and significance (Alerraig and Asutay, 2023).

Islamic accounting then emerged as a result of both modern and historical processes. With a focus on topics like corporate governance, Shariah auditing, accounting for Waqf, and Zakat, Islamic accounting literature has expanded dramatically (Muneer et al., 2022). Muslim accounting systems have a long history; the first Islamic bank was established in the Prophet's Day, and other early procedures date back to that era (Muhammad, et.al, 2022). Islamic accounting was born out of the need to make entries and to facilitate record keeping as this prodded Muslims to record and to work together (Kautsar, Riza, Salman, 2022). The confidence that stems from a series of Islamic finance contracts also played a significant role in building the capacity of the organizations of Islamic finance and culture through reducing the costs of transactions (Isra, 2022) which have been influenced by both past and present characteristics of the Islamic world.

To some extent, there are a number of meanings by which Islamic accounting may be considered. For instance, Napier (2009) considers religion in terms of space and time, where each concept is considered as an attribute of the religious experience. According to Dahlan (2011), the definition of Islamic accounting as a logical notion and approach based on the Islamic religion has been made. On the other hand, Islamic accounting has been defined by Hayashi (1989) as a method of resource distribution in equal measure. According to Haniffa and Hudaib (2010), Islamic accounting ensures economic fairness through formal procedures, routines, objective metrics, control, and reporting based on Islamic sharia norms. Additionally, they contend that three definitions serve as the foundation for key ideas on the goal of Islamic accounting: guaranteeing the equitable distribution of financial resources in conformity with Islamic principles through formal procedure mechanisms in the form of objective measurement, control, and reporting.

The study by [Laela, S.F.](#), et.al (2018), examine the effect of management accounting-strategy coalignment on the maqasid *Shariah*-based performance of

Islamic banks in Indonesia. The study also examines the role of the corporate life cycle of Islamic banks in influencing the relationship between management accounting–strategy coalignment and performance. Their found that the coalignment between low cost-oriented strategy, strategic management accounting practices and mechanistic management control system has positive impact on improving *Maqasid Shariah*-based performance. However, this study is unable to verify that corporate life cycle strengthens the positive relationship between management accounting–strategy coalignment and performance.

During the time of Abu Bakr and Umar Al Farooq, the Islamic accounting system played a crucial role in preserving economic stability and promoting social welfare (Hassan, Shakeel, Shah., Zafar, Iqbal, 2023). Empirical studies have shown that accounting conservatism, sharia-based social performance disclosure, and company size have an influence on earnings response in Islamic accounting. Overall, Islamic accounting aims to transform modern accounting into a humanist and moral system that aligns with Islamic values. The establishment of the Islamic accounting on both reason and revelation presumably classifies it as a value-oriented rational action. Therefore, the reconstruction of Islamic accounting theory covering issues related to reporting, governance and others should be according to the value and principles of Al Qur'an and al-Sunnah as well as common sense. (Possumah and Ismail, 2020). Islamic tradition in accounting development is important but also modern knowledge that takes into account contemporary issues faced by accounting development in modern society. This triggered the movement of Integration/Islamisation of Knowledge (IOK), which is highlighted in the works of Syed Naquib al-Attas and Ismail Raji' al-Faruqi (Mukhlisin, Nurizal, Reza, (2022)

One important component of Pakistan's quest to incorporate Islamic principles into its financial and economic institutions is the history of Sharia accounting in that nation. The purpose of this review of the literature is to shed light on the development, present state, and potential obstacles of Islamic accounting in the Pakistani context, as follow:

Historical Evolution: The rise of Islamic banking and finance in the late twentieth century is claimed to have sparked the adoption of Sharia accounting in Pakistan. Early attempts focused on altering regular accounting systems to conform to Sharia law's ethical principles and Islamic ideals, such as the prohibition on interest (*riba*). Ahmad (2010) notes how Meezan Bank and other financial institutions were at the forefront of developing accounting standards for Islamic finance and introducing Sharia-compliant financial products.

Current Status: The current condition of Sharia accounting in Pakistan is the product of a complex interplay of societal influences, industrial advancements, and governmental reforms. Sharia accounting standards have been heavily influenced by government activities, including the establishment of the Securities and Exchange Commission of Pakistan (SECP) (Ziauddin, 2015). Standardized Sharia accounting ideas and methods have been created concurrently through professional collaboration and academic research

(Hussain, 2018). These advances off course, is challenges that Sharia accounting principles should be uniformity and consistent across enterprises and industries. (Khan, 2020).

Reflection and Future Challenges: When studying the history of Sharia accounting in Pakistan, one must consider its successes, flaws, and future prospects. Although significant effort has been made to incorporate Sharia principles into accounting systems, Ahmad and Ahmed (2019) suggest that ongoing improvement and adaptation are still required to meet the increasing challenges in Islamic finance. Furthermore, shifting legal settings, technological improvements, and global economic trends will all create new challenges for Sharia accounting in Pakistan (Iqbal & Mirakhor, 2020).

Despite the extensive research, gaps remain in understanding the integration of Sharia accounting with global standards and its implications for emerging markets like Indonesia. This study aims to fill these gaps by providing a detailed analysis of Pakistan's experience and its lessons for Indonesia

METHODOLOGY

This study employs a qualitative content analysis (QCA) methodology to explore the development of Sharia accounting in Pakistan. QCA is selected for its ability to analyze textual data deeply, allowing for a nuanced understanding of the role and development of Sharia accounting. The use of QCA also offers researchers flexibility since the frameworks and coding systems can be adjusted to match the research goals and the environments in which they are set up thus making the analysis more relevant and more profound. However, content analysis is comprehensive and methodical in data emanation, categorization and analysis in its computational approach promoting validity and dependability of research findings (Brysiewicz, 2017). The methodology structured as follows: Data Collection: Textual data were collected from a variety of sources, including journal articles, books, government reports, and regulatory documents. These sources provide a rich dataset for analyzing the evolution and current state of Sharia accounting. Data Analysis: The collected data were coded and categorized to identify recurring themes and patterns. The coding process involved multiple iterations to ensure accuracy and reliability. Specific steps included: Developing a coding framework based on initial themes; Applying the coding framework to the data; Refining the themes and categories through repeated review. Validity and Reliability: To ensure the validity and reliability of the findings, the study employed triangulation by cross-referencing multiple sources and seeking expert validation of the coding framework.

The methodological framework can be seen as follows:

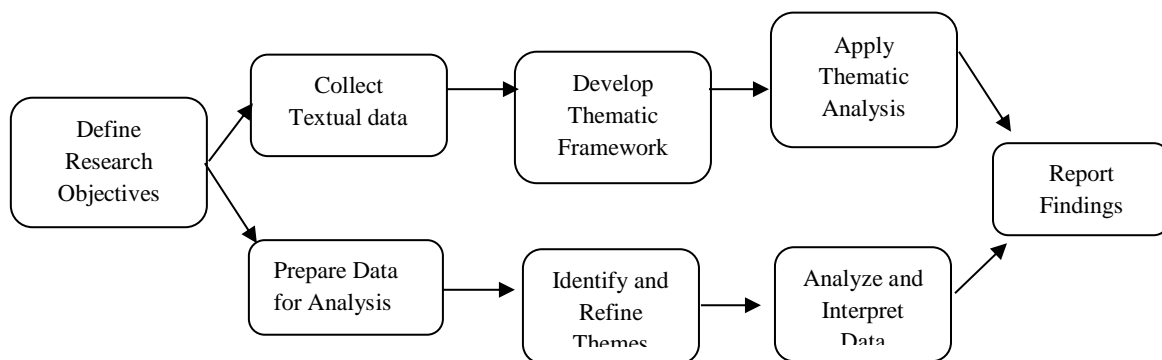


Figure 1. Methodology

FINDING AND DISCUSSION

Islamic Accounting Development in Pakistan: Historical Views

Islamization process of banking and financial system of Pakistan was initiated in year 1977-78. Pakistan was one of the three countries in the world with an ambition for rendering interest-free banking either on full scale or on the national level. Because it is a complex task to provide for the transition plan comprehensively, it was given in phases. Permission to set up Mudarabah companies to undertake ventures and Mudarabah certificates to mobilise venture capital was made possible through the issuance of an Ordinance. In addition, some amendments to the Banking Companies Ordinance (BCO), 1962 were introduced regarding the participation of banks in providing finances through PLS, mark up in prices, leasing and Hire Purchase.

The Shariah Research Board was created in 1985, stamping the primary step towards the foundation of Islamic accounting in Pakistan. This committee pointed to create monetary frameworks that met Shariah criteria. The foundation of Pakistan's Shariah Research Board (Shariah Advisory Board) in 1985 represented a turning point within the country's Islamic accounting improvement. This board was established with the essential reason of developing financial frameworks that correspond to Islamic Shariah standards. This step demonstrates a recognition of the need of ensuring financial

transactions comply to religious beliefs in a country with a largely Muslim population, such as Pakistan.

The banking procedures adopted in Pakistan since July 1, 1985 were deemed un-Islamic by the Federal Shariat Court (FSC) in November 1991. This system primarily relied on the 'mark-up' technique, sometimes with a 'buy-back arrangement'. The FSC ruled that several provisions of the laws contradicted Islamic injunctions in its November 14, 1991 judgment, which would cease to be effective as of July 1, 1992. However, the Government and certain banks/DFIs chose to appeal to the Shariat Appellate Bench (SAB) of the Supreme Court of Pakistan. The SAB issued its judgment on December 23, 1999, dismissing the appeals and directing that laws involving interest would definitively cease to be effective by June 30, 2001. (Sherazi, 2000).

In its judgment, the court concluded that significant changes were needed to bring the existing financial system in line with Sharia principles. The bill directs the government to establish a financial system transformation committee and two working groups to plan and implement the transformation process within a specified period. The court outlined concrete measures as well as the infrastructure and legal framework needed to build an economy in line with Islamic precepts. The Shariah Research Council is responsible for advising and making decisions on Islamic financial issues to financial institutions and businesses in Pakistan. This is very important to direct financial transactions according to Islamic law, which prohibits *riba* (interest), *maysir* (gambling), and *gharar* (extreme uncertainty). The existence of the Shariah Research Council is expected to improve Sharia compliance in financial transactions in Pakistan.

From the formation of this council alone it can be inferred that Pakistan aims to develop one of the strong Islamic finance hubs. This can be rectified by the adoption of Shariah accounting standards since it has the potential of attracting funding from other Muslim countries who place a premium on Shariah compliant investments. Forbes can be seen with the help of this resource for the overall economy of Pakistan. This move alone has emphasized the significance of shaping the public on Shariah education and awareness in the financial business. Hopefully, the establishment of the Shariah Research Council will bring encouragements of Pakistani finance and business professionals in understanding Shariah rules applicable to the financial transactions and, thereby, improving the overall fairness and efficiency of the financial system in the country.

In 1991, the Pakistan government established the Islamic Law Coordination Committee (CLCI) to review financial laws and align them with Shariah principles. By establishing CLCI, the Government of Pakistan is demonstrating its commitment to ensuring that the country's financial sector follows Shariah standards. This group is responsible for advising financial institutions and businesses on how to comply with Shariah principles in their operations. This contributes to legal stability for financial and business professionals, increases public confidence in the Shariah-based financial system and ultimately enhancing economic and financial well-being in Pakistan.

Indeed, a final development came in 1999 when the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) started to issue Islamic accounting standards based on Shariah principles. This step was a landmark in the growth of the subject in Pakistan since it paved way in achieving a level of conformity to the Islamic accounting standards for Pakistan as well as provided a working benchmark for the preparation of the business organization's financial reports from an Islamic point of view. Perhaps, with the acceptance of the Shariah accounting standards, accounting practices in Pakistani could pay more attention to the strict adaption of the Shariah principles with regard to prohibition of *riba*, *maysir*, as well as putting more lights to the stakeholders.

The adoption of Shariah accounting standards is also relevant in increase of public confidence and investors' trust in the pioneer industry of Islamic finance in Pakistan. According to the following assessment, having a well-defined and quantifiable standard barometer may help Pakistani financial institutions and, more generally, businesses substantiate that they conform with Shariah principles: Perhaps, this may easily improve the way the country deals with investment in the Islamic finance segment to enhance the economy.

Also, the move by AASB to adopt Shariah accounting standards means that the development of Shariah accounting standards is advancing towards harmonisation at the national level. The preparation of the Islamic accounting information that contains Shariah accounting standards can make group's relationship more effective and efficient so that the practitioners in Pakistan can compare the performance of the related organizations. This can contribute towards the improvement of the efficiency and effectiveness of reporting based on Shariah compliant financial reporting standards in Pakistan.

In the context of the 2000s, we can observe its growth in Pakistan and the development of the Islamic financial industry. Shariah accounting materialized in the form of banking that developed Shariah-compliant banking units, and the insurance companies for Shariah insurance business and other actors in the non-bank-financial institutions that augmented the consolidation and the diffusion of Shariah accounting across the financial division. In the year 2000, the Pakistan's Islamic banking sector continued to grow considerably as it experienced a surge of new Shariah banking persons, Shariah insurance as well as other non-banking organizations. This rise hastened the Emergence of Shariah accounting because these financial institutions were mandated to adhere to Shariah accounting policies in their reporting. The increase in signatories to an 'Islamic finance system' enhanced the incorporation and application of Shariah accounting in Pakistan's financial sector.

Another factor that contributed towards awareness of those constituting the general public regarding Islamic finance, was value addition brought about by the existence of Shariah-compliant banks and other related Islamic financial institutions. The availability of more choices in Shariah-compliant products created in enhanced attention in taking financial services compliant with Shariah legal rulings. This gave a favourable landscape for the

establishment of Islamic finance industry as well the Shariah accounting practices in the Pakistan.

It can naturally be concluded that the further advancement of the Islamic finance industry in the scope of the Pakistan country can contribute to the growth of overall economic rates as well. The opportunity in this case is widened availability of Shariah-compliant financial services will enable more people to gain access to the necessary products and services in religiously compliant manner. Lots of tries have also been made to improve the education and awareness concerning Shariah accounting in Pakistan as well. In recent years, different universities and training facilities have been opened to educate people working in the finance sector on Shariah accounting rules. This can contribute positively towards improving the poverty level thereby improving the quality of financial services for the needy and ultimately helping in the improvement of economic status in Pakistan.

IFRS (International Financial Reporting Standards) and AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) account for the references to international accounting for the development of accounting in Pakistan. To start with, the adoption of these standards is useful to Pakistan since it helps in enhancing the credibility of the country's financial reports. Local organizations following international best practices can attract foreign investors and enhance their accesses to the global markets by preparing standardized and easily readable financial statements. This enhances the FDI flow and helps Pakistan integrating in to more of an open world economy.

Second, the use of IFRS facilitates the comparison of domestic and international enterprises. Using a standard framework makes it easier to compare financial performance between companies, improving financial market efficiency and enabling investor and creditor examination of corporate performance. It also helps the government and regulators monitor the financial health of businesses and the wider economy.

Last of all, implementing global framework keeps the country in line with the contemporary dynamics in accounting and finance practices. Having been a member of the global international community, Pakistan is supposed to adhere to international standards and norms in order to sustain long-run macroeconomic stability and to reach the highest level of economic development. Via adopting local IFRS and AAOIFI for Pakistan's accounting practices, it can retain its position and efficiency within the altering international economic environment.

All of these measures demonstrate the Pakistani government and associated organizations' commitment to promoting and developing Shariah accounting within a regulatory framework that is consistent with Shariah principles. This development is also in response to the increased market demand for Islamic-compliant financial solutions. From above the historical perspective the study found that the factors that have influenced the evolution, the origins, growth and development of accounting in Pakistan are as in the figure below:

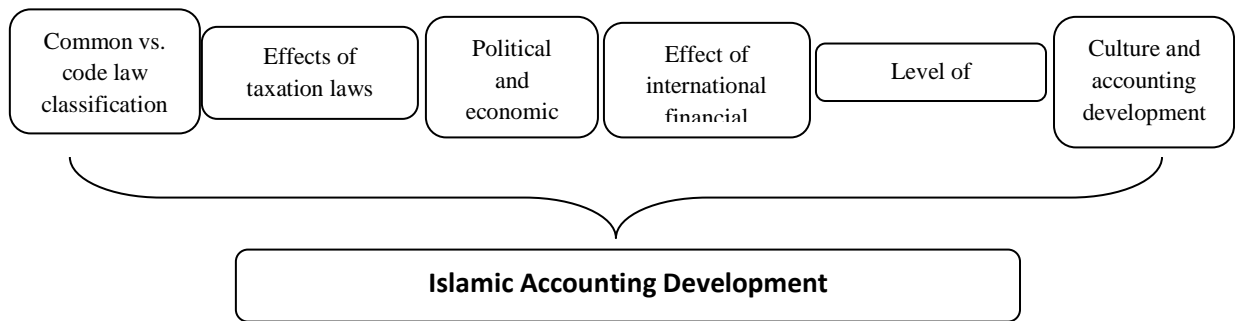


Figure 2. Factors that have influenced development of accounting in Pakistan

The figure 2 illustrates the key factors that have influenced the development of accounting in Pakistan, particularly focusing on Sharia accounting. The factors (that has been explored previously) collectively contribute to the robust development of Sharia accounting in Pakistan, providing valuable insights and lessons for other countries aiming to develop their Sharia-compliant accounting frameworks.

Lessons we can learn from Pakistan's Islamic Accounting Development

The historical evolution of Sharia accounting in Pakistan reveals several key milestones, including the establishment of the Shariah Research Board in 1985 and the adoption of Shariah accounting standards by AAOIFI in 1999. These developments have significantly shaped Pakistan's financial landscape, promoting Sharia compliance and enhancing public confidence in Islamic finance (Sherazi, 2000; Ziauddin, 2015).

Perhaps Pakistan's Islamic Accounting Development served an important lesson that in every society, it is crucial to fit the established financial environment in order to correspond with religious and cultural tendencies and values. Regarding Pakistan's experience of Islamization of the banking and financial system, they are basically in response to the need to run the banking and finance system within the tenets of the Islamic Shariah. This adaptation involved not only legal and regulatory changes but also the establishment of Islamic financial institutions and the development of Shariah accounting standards. This study shows that Indonesian organizations will also gain credibility among their stakeholders if they embrace the principles of Islamic Shariah in their accounting methods to promote sustainability in the long run.

The second lesson is the cooperation and coordination between different actors as its emphasis on how various agencies of the government, the banking and financial sector, as well as religious institutions coordinated to foster changes that created the Islamic finance market. This was a very useful cooperation in the process of implementing change in compliance with Shariah

requirements. Indonesia can benefit also from Pakistan's model of collaboration between Islamic scholars and accounting professionals in the development of Islamic accounting standards. Such collaboration avoids compromising the content of standards by ensuring that they are informed by both religious and accounting knowledge and experience resulting in the enhancement of development of comprehensive standards (Siddiqui, 2006).

The case of Pakistan that focuses on the Islamic Accounting Development and Standards precisely catches the scope of international standards in the conventional financial practices. Pakistan has established some appreciable advances in adopting Islamic accounting standards that follow IFRS (Ahmad, 2012). Specifically, use of IFRSs alongside AAOIFI increased transparency, credibility and integration with the global economy by eradicating traditionally GAAP. This underlines the fact of practicing with the internationally recommended standards while at the same time regard to the religious and cultural practices of the country. From this case, Indonesia can learn from the Pakistani experience and its attempts at the process of aligning with the International Islamic accounting standards with the global standard setters with a view of achieving comparability in the financial reports. In the context of Pakistan, Islamic accounting development put more emphasis on following social and environmental responsibility along with the traditional financial reports (Khan & Ahmed, 2001). For these reasons, Indonesia can find out how to introduce social and environmental aspects of stewardship in the theoretical and practical contexts of accounting.

In general, Pakistan's Islamic Accounting Development shows that flexibility, cooperation trend and compatibility with the Standard of Shariah Accounting as well as taking into considerations of the Pakistani accounting traditions and practices are also necessary for Development of Islamic Finance in Pakistan to Increase the confidence of Pakistani public and international Investors. Thus, clear measurable fundamental frameworks depicted above would help the financial institutions and businesses operating in Pakistani to provide evidence of its compliance with the Shariah laws governing financial practices. It can lead to an increase in the level of social accumulation for the Islamic financial sector and contribute to the further improvement of the strength of the economy of the country.

The study's findings indicate that Indonesia can learn from Pakistan's experience by focusing on standardization, capacity building, and stakeholder collaboration. Enhancing education and training in Sharia accounting will also be crucial for Indonesia's success in this field.

Future challenge for Indonesia and Pakistan in Islamic accounting development

As for the future prospects, several possibilities may confront Pakistan as well as Indonesia concerning the formation of Islamic accounting. Some of these challenges include:

Challenges identified include the need for greater standardization and the integration of Shariah principles with global accounting standards. Ahmad and Ahmed (2019) suggest that ongoing improvements are necessary to address these challenges, especially in the context of shifting legal and technological landscapes.

Out of them one is rather important, which concerns the issue of creating a unified system of Shariah accounting standards all over the world. To some extent, there may be variations at the national level in terms of implementation and interpretation of the standard even though there exist international bodies such as AAOIFI and IFSB that attempt to standardize the processes. The internationalisation of Islamic finance is on the right track but to make it acceptable globally the comparison of the Islamic finance reporting to others has to be on par and to attain greater harmony in the Islamic finance reporting is a must.

With regard to two major fields of cooperation, which are capacity building and education, both countries may experience difficulties linked with the shortage of qualified personnel, specialized in the field of Islamic accounting. It is imperative that more resources being allocated for capacity building endeavours as well as to specialise training modules and academic courses to be delivered for nourishing an adequate talent pool to address the increasing need in the Islamic finance industry. This will involve not only accounting academicians but also other standard setters and expertise's embodying Shariah scholars and the regulators who are conversant with Shariah mechanisms for the reform of the global accounting records.

In the modern world characterized by technological advancements especially in the delivery of financial services, Islamic accounting standards need to be applied seamlessly in digital focused platforms and systems. In the case of Islamic financial institutions, this entails building more Shariah-compliant fintech products, presenting clear and compliant details of such services, and dealing with cybersecurity issues that are unique to these kinds of institutions.

Another significant issue that the Islamic finance industry continues to fight is that of regulatory compliance. There is a need for both countries to improve the legal framework and to enforce mechanisms that more the financial institution to stick to shariah rules and regulations among other issues. This ranks tasks such as scrutiny of the level of Shariah governance that is being followed, these audits, and penalties for failure to adhere to the Shariah governance benchmarks. With more and more structures in the Islamic finance industry shifting, the call for greater advancements in product and solution offerings that cater to the ever growing and complex customer needs without compromising the Shariah compliant principle continue to be fundamental. Shariah compliant financial innovation does entail cooperation between Islamic financial institutions and Shariah scholars and regulatory bodies to design and produce financial tools and services that are compliant with Shariah law while being effective in the world market.

CONCLUSION

This study also highlights the historical evolution and current challenges of Sharia accounting in Pakistan, providing valuable lessons for Indonesia. To a certain extent, Pakistan's experience in formulating the Islamic accounting rules and procedures will prove to be influential in many other countries. Several recommendations can be offered in regard to the further development of Islamic finance and accounting: increase in the extent and enhancement of the quality of regulation, focus on the provision of specialized education and training, compliance with the norms and standards set by international organizations, and effective response to the problems encountered during the implementation and integration of Islamic finance and accounting with the traditional models. Therefore, this context underlines the following problems that need to be paid serious attention towards the advancement of Islamic accounting in both Pakistan as well as Indonesia. Key recommendations for Indonesia include; Adopting standardized Sharia accounting practices; Enhancing education and training in Sharia accounting; Fostering collaboration among stakeholders to ensure compliance and innovation.

Addressing these areas will help Indonesia develop a robust Sharia accounting framework, promoting financial inclusion and socio-economic development. Meeting these future challenges aggressive efforts from the policymakers, regulators, industries forums and educational institutions of Pakistan and Indonesia are needed. If addressed in advance, these challenges will help both countries prepare for the future growth and development of the industry that has the potential to remain the key driver of the growth of Islamic finance and the expansion of financial inclusion, stability, as well as socio-economic development in the region.

REFERENCES

- Achmad, Soediro., Media, Kusumawardani., Muhammad, Farhan., Fardinant, Adhitama. (2023). Islamic accounting and the psychological impact of riba. *Jurnal Akuntansi Multiparadigma*, 14(1) doi: 10.21776/ub.jamal.2023.14.1.02
- Ahmad, F. (2010). Islamic accounting and banking in Pakistan: Issues in measurement and disclosure. *Journal of Islamic Economics, Banking and Finance*, 6(3), 131-144.
- Ahmad, S., & Ahmed, Z. (2019). Islamic accounting: A reflection and a prospective view. *Journal of Accounting in Emerging Economies*, 9(4), 600-616.
- Dedyansyah, A. F., Indira, I., & Salukh, A. (2024). Systematic Literature Review: Adopsi IFRS mempengaruhi laporan keuangan di negara muslim. 5, 14-21.
- Endah, Tri, Susilowati., Diyah, Pujiati., Sari, Andayani. (2023). Cultural Application of Accounting and Economic Systems: An Islamic Perspective. *Journal of Intercultural Communication*, 66-74. doi: 10.36923/jicc. v23i2.139
- Erlingsson C, Brysiewicz P. A hands-on guide to doing content analysis. *Afr J Emerg Med*. 2017 Sep;7(3):93-99.
- Fizza, Joffrey. (2019). Islamic banking in Pakistan: Shariah-compliant finance and the quest to make Pakistan more Islamic. *Contemporary South Asia*, doi: 10.1080/09584935.2019.1689668
- Haniffa, Roszaini, & Hudaib, M. (2010). The two Ways of Islamic accounting research. *Journal of Islamic Accounting and Business Research*, 1(1), 5-9
- Hassan, Shakeel, Shah., Zafar, Iqbal. (2023). Impacts of Islamic Accounting System on Society: Accounting System in the ERA of Hazrat Abu Bakar and Hazrat Umar Farooq. *Global economics review*, VIII(I):28-35. doi: 10.31703/ger.2023(viii-i).03
- Hussain, M. (2018). *Shariah accounting standards: a comprehensive guide to the AAOIFI accounting standards*. John Wiley & Sons.
- Isra, Maulina. (2022). Sejarah dan pemikiran akuntansi syariah. *Jurnal investasi Islam*, 7(1):1-13. doi: 10.32505/jii.v7i1.3623
- Iqbal, Z., & Mirakhor, A. (2020). Economic development under Islamic banking and finance: Historical perspective and future prospects. *Islamic Economic Studies*, 28(1), 1-28.
- Kautsar, Riza, Salman. (2022). Exploring the History of Islamic Accounting and the Concept of Accountability in an Islamic Perspective. *Journal of*

- Islamic Economic and Business Research, 2(2):114-130. doi: 10.18196/jiebr.v2i2.34
- Khan, F. (2020). Challenges in harmonization of Islamic accounting standards: The case of Pakistan. *International Journal of Islamic and Middle Eastern Finance and Management*, 13(1), 53-72.
- [Laela, S.F., Rossieta, H., Wijanto, S.H. and Ismal, R.](#) (2018), "Management accounting-strategy coalignment in Islamic banking", *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 11 No. 4, pp. 667-694.
- Mahmoud Ali Aleraig and Mehmet Asutay, 2023, [Islamic Accounting Applications of Islamic Finance](#), *Islamic Accounting and Finance*. 3-41
- Muhamad, Wahyudi., Sri, Herianingrum., Ririn, Tri, Ratnasari. (2022). Examining the trend, themes, and social structure of the islamic accounting using a bibliometric approach. *JEBIS (Jurnal Ekonomi dan Bisnis Islam)*, 8(2):153-178. doi: 10.20473/jebis.v8i2.34073
- Muneer, M., Alshater., M., Kabir, Hassan., Adel, M., Sarea., Hussein, Mohammad, Samhan. (2022). Islamic accounting research between 1982 and 2020: a hybrid review. *Journal of Islamic Accounting and Business Research*, 13(8):1176-1196. doi: 10.1108/jiabr-04-2021-0132
- Mukhlisin, Murniati, Ismail, Nurizal, Fikri, Reza, (2022), Mind the gap: theories in Islamic accounting and finance, *Islamic economics and business management studies*,14, *ISRA International Journal of Islamic Finance*
- Napier, C. (2009). Defining Islamic accounting: Current issues, past roots. *Accounting History*, 14(1-2), 121-144
- Possumah, [Bayu Taufiq,](#) Ismail, (2020), *Reconstruction of Islamic Economic Theory: From Revelation to Methodology*, Vol. 7 / Issue: 2
- Sherazi, S. Q.-A. (2000). Islamization of Financial Institutions in Pakistan: An Appraisal. *Pakistan Horizon*, 53(2/3), 57-88. <http://www.jstor.org/stable/41393960>
- Ziauddin, A. (2015). Regulatory framework for Islamic banking and finance in Pakistan. *Journal of Islamic Economics, Banking and Finance*, 11(4), 57-69.