



## COMPARATIVE STUDY OF SHARIA ACCOUNTING IN INDONESIA AND MALAYSIA: EMPHASIS ON SHARIA MICROFINANCE INSTITUTION CONTRACTS

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### ABSTRACT

This study aims to conduct a comparative study on sharia accounting in Indonesia and Malaysia with a focus on the accounting treatment of sharia contracts in Sharia Microfinance Institutions (MFIs). Indonesia adopts sharia accounting standards through the Sharia Financial Accounting Standard Statement (PSAK) formulated by the Indonesian Institute of Accountants (IAI) and fatwa by the National Sharia Council-Indonesian Ulema Council (DSN-MUI). Malaysia, on the other hand, is more integrated with international standards such as IFRS/MFRS with sharia-based modifications and is under the supervision of Bank Negara Malaysia (BNM) and the *Shariah Governance* framework. The results show that Indonesia emphasizes details per account in each contract (murabahah, mudharabah, musyarakah, qard hasan, and ijarah), while Malaysia emphasizes more harmonization with global standards. This reflects a paradigm difference: Indonesia is more normative based on Fatwas, while Malaysia is adaptive and accommodating to international regulations. The recommendation of this study is the need to harmonize sharia regulations at the ASEAN level to strengthen the position of global sharia finance, while maintaining the local peculiarities of each country.

**Keywords:** Accounting, Sharia, Comparative

### INTRODUCTION

The trend of the implementation of sharia accounting in various countries can be seen through the growth of the sharia financial market which includes products such as sukuk (sharia securities), sharia mutual funds, and sharia insurance. In addition, the implementation of sharia accounting has also begun to be applied in non-financial sectors such as property, construction, and trade. The prospects for the implementation of sharia accounting in other countries are very promising, this is due to the increasing number of investors and consumers who are looking for financial products that are in accordance with sharia principles. In addition, the application of sharia accounting is also expected to increase transparency and accountability of companies in their financial



management (Wilmar Ervanni Octaviar, 2024).

In some countries, governments have also begun to recognize the importance of implementing sharia accounting and issuing regulations that support its implementation. Several countries such as Malaysia, Indonesia, and Egypt have implemented nationally recognized sharia accounting standards. In Southeast Asia, however, the development of the Islamic finance industry has shown a significant trend in recent decades. Indonesia and Malaysia are the two fastest growing countries and have a strong commitment to the application of sharia principles in the financial sector, including in Sharia Microfinance Institutions (MFIs). The role of MFIs is very important because it targets small and medium segments of society that have often been unreachable by conventional banking institutions. Sharia accounting principles have an important role in the operation of Islamic microfinance institutions. One of the main elements that distinguishes Islamic finance from conventional finance is the contract. The contract determines the validity of the transaction and the accounting treatment used. Malaysia implements the sharia system earlier than Indonesia, therefore, a comparative study of sharia accounting with a focus on contracts in Indonesian and Malaysian MFIs is important to understand the similarities, differences, and opportunities for harmonization of standards in the future and this study aims to describe the comparison of the treatment of sharia accounting with an emphasis on contracts in Sharia Microfinance Institutions in Indonesia and Malaysia. The role of MFIs in this context has been studied in depth by Mukadar et al. (2023) who show the contribution of murabahah financing in Indonesia, and Rohman et al. (2021) who highlight the development of Islamic microfinance literature globally.

## **LANDASAN THEORITIS**

### **1. The Basic Principles of Sharia Accounting**

Sharia accounting is an accounting system based on Islamic sharia principles, with the aim of achieving social justice and transparency in financial statements. This principle is the main differentiator from conventional accounting systems, which tend to be profit-oriented without considering the social and ethical impact of Islam. The principles of sharia accounting can be described as follows:

- a. Justice (Al-Adl): The importance of fairness and objectivity in all accounting processes.
- b. Truth and Honesty (As-Shidq and Amanah): Honest reporting and responsible management.
- c. Accountability (Mas'uliyah): Responsibility to Allah and humans in managing finances, both in this world and the hereafter.
- d. Transparency (Al-Idzhar): Presenting financial information that is clear, non-misleading, and understandable by all stakeholders.
- e. Sharia Compliance: All transactions and activities must be in accordance with Islamic sharia principles, such as the prohibition of riba (interest), gharar (uncertainty), and maysir (gambling). ( Gaddafi, M.Si et al, 2016)



## **2. The Concept of Sharia Accounting**

Sharia accounting is a system of recording, reporting, and financial management that is carried out based on Islamic sharia principles. This principle prohibits the practice of *riba* (interest), *gharar* (uncertainty), and *maysir* (gambling), which are often encountered in the conventional financial system. Sharia accounting aims to create transparency and accountability in financial reporting, so as to ensure that all transactions comply with Islamic law (Haikal & Efendi, 2024). Sharia accounting standards in Indonesia refer to the fatwa of the National Sharia Council (DSN-MUI) and Sharia Financial Accounting Standards (SAKS). These fatwas provide guidelines that distinguish sharia accounting from conventional accounting, especially in revenue recognition, risk measurement, and management of sharia-based financing such as *murabahah* and *mudharabah* (Anggreni et al., 2022).

Sharia accounting also discusses how to record transactions that are in accordance with sharia, such as sharia contracts:

- a. *Murabahah*: A contract to buy and sell goods with a clear profit margin.
- b. *Salam*: Contract to buy and sell an item at the upfront selling price and delivery barangnya di kemudian hari.
- c. *Mudharabah*: An investment cooperation agreement in which one party (Islamic bank) provides capital and the other party (customer) manages the capital with the sharing of profits and losses according to the agreement.
- d. *Musharakah* is a contract of cooperation and profit sharing between two or more parties for a certain business by means of each party contributing or combining capital, funds or malls with an agreement that the rights, obligations, risks and profits are borne jointly with the ratio (profit sharing) determined according to the amount of capital and the role of each.
- e. *Degree*: A rental contract or financing contract based on the principle of rent.

## **3. Sharia Microfinance Institutions**

Microfinance Institutions (MFIs), Sharia Microfinance Institutions (MFIs) are microfinance institutions that carry out business activities based on sharia principles to provide business development and community empowerment services, both through the provision of micro-scale loans/financing, deposit management, and consulting services. (Law of the Republic of Indonesia no. 1 of 2013). In Indonesia, Islamic microfinance institutions are present in various forms such as BMT (Baitul Maal Wa Tamwil), BPRS (Sharia People's Financing Bank), KSPP (Sharia Savings and Loan and Financing Cooperative). In Malaysia, similar institutions are in the form of sharia cooperatives, Ar-Rahnu (sharia pawns), and Bank Rakyat which also serve microfinance. Shariah Contracts in LKMS Some of the dominant contracts used in LKMS include:

- a. *Mudharabah*: cooperation between the owner of the capital (*shahibul maal*) and the manager (*mudharib*).



- b. Musyarakah: cooperation in capital participation.
- c. Murabahah: buying and selling with a profit margin.
- d. Qard Hasan: a welfare loan with no interest.

According to Fadila et al. (2021), sharia disclosure practices in Indonesia and Malaysia still show variations, while Fianto et al. (2019) emphasize the importance of risk management in profit-sharing based contracts.

## METHODOLOGY

This study uses a descriptive-comparative approach by examining regulations, accounting standards, and contract implementation practices in MFIs in Indonesia and Malaysia. The method used in this study uses the library research method, which is a research method where the data collection technique is carried out by conducting a study of books, literature, records, reports that are related to the problem being solved. The study refers to Sharia Accounting Standards (PSAK Syariah in Indonesia, MASB in Malaysia), DSN-MUI Fatwa, Shariah Advisory Council Malaysia, as well as scientific articles from indexed journals relevant to the topic of sharia accounting and MFIs. Hassan (2021) in his bibliometric study underlined the trend of research methodology in Islamic microfinance, so that a descriptive-comparative approach is relevant in this study.

## RESULTS AND DISCUSSION

The table below will describe the comparison of sharia accounting treatment for contract contracts that are commonly used in micro, small and medium financial institutions

**Table 1. Comparison of Contracts – Indonesian Sharia Financial Contracts with Malaysia**

<b>Akkadian</b>	<b>Indonesia (PSAK Syariah, DSN-MUI)</b>	<b>Malaysia (MASB, BNM, AAOIFI)</b>
Murabahah	Recognized as murabahah receivables; profit margin is recognized proportionally during the contract term in accordance with PSAK 402.	Recorded as receivable financing; profit is recognized on an accrual basis with reference to MFRS 9 which is adjusted to sharia principles.
Mudharabah	The funds distributed are recorded as mudharabah investments; profit sharing is recognized according to the ratio agreed upon based on PSAK 405.	It is treated as a profit-sharing investment with an emphasis on risk disclosure and investment performance in accordance with AAOIFI standards and <i>the Shariah Governance</i> framework.
Musyarakah	Recorded as joint capital participation; Profit is recognized according to the Profit and Loss	Listed as joint venture financing; The proportion of ownership is reflected in the financial position



	Sharing Ratio is recognized according to the proportion of capital contribution based on PSAK 406.	statement with the recognition of realization-based profit.
Qard Hasan	Recorded as receivables without reward; only administrative fees are allowed in accordance with PSAK 401 and DSN-MUI fatwa.	It is treated as a benevolent loan and is generally reported in notes <i>to financial statements</i> as a social, not commercial activity.
Ijarah	Ijarah assets are depreciated and rental income is recognized periodically in accordance with PSAK 407.	It is recorded as lease financing with reference to IFRS 16/MFRS which is modified to be in line with sharia principles.

## DISCUSSION

The results of the analysis show that the accounting treatment of sharia contracts at Sharia Microfinance Institutions (MFIs) in Indonesia and Malaysia has a significant difference in approach. Indonesia implements sharia accounting standards that are specific to each contract through the Sharia Financial Accounting Standard Statement (PSAK) formulated by the Indonesian Institute of Accountants and strengthened by the fatwa of the National Sharia Council-Indonesian Ulema Council. This approach places adherence to the principles of muamalah fiqh as the main basis in the recognition, measurement, and reporting of sharia transactions (Nurhayati & Wasilah, 2019)

In the murabahah contract, for example, Indonesia classifies transactions as murabahah receivables with the recognition of profit margins proportionally during the contract period in accordance with PSAK 402. This practice reflects prudence in ensuring that the recognized profits are truly in line with the substance of the sharia sale and purchase contract (Mukhlisin, 2021). On the other hand, Malaysia records murabahah as receivable financing with an accrual approach that refers to MFRS 9, although it is still adapted to sharia principles through the Shariah Governance framework supervised by Bank Negara Malaysia (BNM) (Abdul Rahman, 2018; Hasan et al., 2021). In contrast to the international standard of the AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) which strongly emphasizes real ownership and risk-taking by banks as a prerequisite for the legality of buying and selling, PSAK 402 has sometimes been criticized for its closer approach to the accounting of conventional financial instruments that focuses on the recording of accounts receivable and the recognition of accrual-based income.

Differences in approach are also seen in profit-sharing based contracts such as mudharabah and musyarakah. In Indonesia, the funds disbursed are recorded as mudharabah investments or musharakah participation, with profit sharing recognition highly dependent on the realization of the business and the agreed ratio, as stipulated in PSAK 405 and PSAK 406. This approach reflects the normative character and principle of justice in the distribution of business results in accordance



with sharia maqashid (Huda et al., 2020). Malaysia, on the other hand, classifies such contracts as profit-sharing investment or joint venture financing with a greater emphasis on risk disclosure, governance, and comparability of financial statements internationally (Rosly & Zaini, 2019).

In social contracts such as qard hasan, Indonesia expressly positions them as non-commercial receivables and only allows the imposition of administrative fees, as affirmed in PSAK 401 and the DSN-MUI Fatwa and entities have an obligation to make additional reports specific to these qard contracts so that this obligation directly increases transparency and accountability, which in turn strengthens stakeholder trust in the the operational integrity of the entity in accordance with Islamic ethical values. Malaysia also views qard hasan as a benevolent loan, but generally its reporting is placed in the records of financial statements as part of the institution's social activities, not as the main financing activity (BNM, 2020).

In general, these findings show that Indonesia's sharia accounting system is more normative and fatwa-based, with a high level of detail in each contract. Meanwhile, Malaysia adopts a harmonized approach with international accounting standards, so that its Islamic accounting practices are more adaptive and compatible with the needs of the global market (Ahmed & Kamaruddin, 2018). This paradigm difference implies that Indonesia excels in substantive sharia compliance aspects, while Malaysia has an advantage in terms of comparability and global integration.

## **CONCLUSIONS AND RECOMMENDATIONS**

This study shows that Indonesia and Malaysia have different approaches in sharia accounting in MFIs. Indonesia focuses more on compliance with the DSN-MUI fatwa, while Malaysia emphasizes harmonization with international standards. The recommendation for Indonesia is to strengthen reporting transparency, while Malaysia needs to be more adaptive to the characteristics of microcommunities. Collaboration between the two countries can create micro sharia accounting standards that are more harmonious and globally competitive. This is in line with the results of research by Rohman et al. (2021) who emphasized the need for harmonization of sharia accounting standards, and Aliyah & Tyowati (2024) who recommended a sustainability approach to MFIs.



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