

Islamic accounting in the Digital Era (integration of Islamic values in the transformation of financial technology)

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Abstract

The development of digital technology has brought very significant changes in various sectors of life, including in finance and accounting. The method used is Library research by reviewing various relevant scientific literature, such as books, journals, and related official documents. The results showed that Sharia accounting has distinctive characteristics that prioritize the principles of justice, honesty, trustworthiness, and compliance with the Prohibition of riba, gharar, and maysir, which must still be maintained in the digitization process. Technological developments such as fintech, blockchain, and artificial intelligence provide great opportunities to improve efficiency, transparency, and accountability, but also present challenges in the form of Human Resource readiness, regulation, and potential value deviations. Therefore, a synergy between technological innovation and Sharia values is needed so that Sharia accounting remains relevant, adaptive, and contributes to realizing a fair and sustainable financial system

Keywords

Sharia Accounting, Digital Transformation, Financial Technology, Islamic Values, Transparency, Accountability.



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INTRODUCTION

The development of digital technology has brought very significant changes in various sectors of life, including in finance and accounting. The digital transformation marked by the advent of financial technology (fintech), big data, and cloud-based Information Systems has driven changes in the way organizations manage, record, and report financial information. In this context, Sharia accounting cannot be separated from the flow of these changes, but is required to be able to adapt without leaving the basic values derived from Islamic principles. Sharia accounting is not just a financial recording system, but also an instrument that integrates the values of fairness, transparency, and accountability in accordance with Sharia provisions, so that digital transformation becomes a challenge as well as an opportunity to strengthen its implementation (Triyuwono, 2015).

Sharia accounting has a unique characteristic that distinguishes it from conventional accounting, namely the existence of a spiritual and ethical dimension based on the Qur'an and Hadith. Principles such as fairness ('adl), honesty (shidq), and trustworthiness become the main foundation in every financial recording and reporting process. In the digital age, these values are becoming increasingly important as the increasing complexity of transactions poses a potential risk of data manipulation and misuse of information. Therefore, the integration between digital technology and sharia principles must be done carefully so that the technology not only increases efficiency, but also maintains integrity and adherence to Islamic values (Hameed, 2001). On the other hand, the development of digital technology provides great opportunities for the development of Islamic accounting, especially in increasing transparency and accountability. The use of digital-based accounting information systems allows real-time recording of transactions, minimizes human error, and facilitates auditing and supervision processes. In addition, technologies such as blockchain are beginning to be seen as a potential solution to ensure the validity and security of financial data in the Sharia system. Thus, the integration of digital technology can be a means to strengthen public confidence in Islamic financial institutions, which have relied heavily on the principles of honesty and openness (Zainuddin & Ismail, 2018).

However, the implementation of Sharia accounting in the digital era also faces various challenges, both in terms of regulation, human resources, and technological infrastructure readiness. Not all Islamic financial institutions have adequate capabilities in adopting digital technology optimally. In addition, there is still a gap in understanding of How Sharia principles can be effectively integrated in digital systems that tend to be technical and complex. This indicates that collaborative efforts between academics, practitioners, and regulators are needed to formulate standards and guidelines that can bridge between technological needs and Sharia values (AAOIFI, 2020). Thus, the study of Sharia accounting in the digital era becomes very relevant to be carried out, especially in order to answer various challenges and take advantage of existing opportunities. The integration of Islamic values in the transformation of financial technology not only aims to improve operational efficiency, but also to ensure that every financial activity remains within the Sharia corridor. Therefore, this study is expected to contribute to the development of concepts and practices of Islamic accounting that are adaptive to the times, while still adhering to the basic principles of Islam as its main foundation (Dusuki & Abdullah, 2007).

METHODS

This study uses the library research method, which is an approach that is carried out by reviewing and analyzing various sources of literature relevant to the topic of Sharia accounting in the digital era, in the form of books, scientific journal articles, research reports, and official documents from related institutions. The Data used in this study is secondary data obtained through a systematic search of scientific publications that have credibility and relevance to the research theme. Data collection techniques are done by means of documentation, namely identifying, classifying, and organizing information in accordance with the focus of the study. Furthermore, data analysis was carried out qualitatively using a descriptive-analytical approach, namely by interpreting, comparing, and synthesizing various concepts and findings from existing literature in order to obtain a comprehensive understanding of the integration of Islamic values in the transformation of financial technology. Through this method, it is hoped that a systematic, in-depth, and relevant study can be produced with the development of Sharia accounting in the digital era (Sugiyono, 2017).

FINDINGS AND DISCUSSION

Basic concepts and principles of Sharia accounting in Islamic perspective

The concept of Sharia accounting is rooted in Islamic teachings derived from the Qur'an and Hadith, which places accounting not only as a financial recording tool, but also as a form of human accountability to Allah SWT (*hablumminallah*) and to fellow human beings (*hablumminannas*). In this perspective, Sharia accounting has a strong spiritual dimension, where every economic activity must reflect Islamic moral and ethical values. This is different from conventional accounting which tends to focus on material aspects and economic benefits. Thus, Sharia accounting serves as an instrument to achieve social justice and balance in the economic life of the people (Triyuwono, 2015).

One of the main principles in Sharia accounting is justice (*'adl*), which requires that every transaction is recorded and reported honestly and does not harm any party. This principle emphasizes the importance of transparency and openness of information in financial statements, so as to provide a true picture of the financial condition of an entity. In addition, the principle of honesty (*shidq*) and *amanah* is also an important foundation in Sharia accounting practices, where accountants are required to maintain integrity and not manipulate data for the sake of certain interests. These values are the main differentiators between Islamic accounting and

other accounting systems, as they promote ethical aspects as an integral part of the accounting process (Hameed, 2001).

In addition to the principles of justice and honesty, Sharia accounting is also based on the Prohibition of practices that are contrary to Sharia, such as usury (interest), gharar (uncertainty), and maysir (speculation or gambling). This prohibition aims to create a more stable and equitable economic system, as well as avoid exploitation in financial transactions. In the context of accounting, this means that any transactions containing such elements should not be recognized or reported as part of legitimate economic activity. Therefore, Sharia accounting not only serves as a recording tool, but also as a supervisory mechanism for sharia compliance in economic activities (AAOIFI, 2020). The fundamental difference between Islamic accounting and conventional accounting is also seen in the purpose of financial reporting. If conventional accounting aims to provide information to stakeholders in the framework of economic decision-making, then Sharia accounting has a broader purpose, namely to achieve *falah* (welfare of the world and the hereafter). This includes Social Responsibility and equitable distribution of wealth, such as through *zakat*, *Infaq*, and *Sadaqah*. Thus, financial statements in Sharia accounting reflect not only financial performance, but also social contribution and adherence to Islamic values (Dusuki & Abdullah, 2007).

Furthermore, Sharia accounting also emphasizes the importance of accountability as a form of accountability that is not only horizontal to humans, but also vertical to Allah SWT. This concept is known as spiritual accountability, which requires every individual and organization to act in accordance with Sharia principles in every aspect of its activities. In practice, this is reflected in the preparation of financial statements that are not only accurate and transparent, but also reflect high ethical and moral values. Thus, Sharia accounting becomes an effective tool to build a sustainable and equitable economic system (Triyuwono, 2015).

The role of Digital technology in the transformation of Islamic accounting

The development of digital technology has brought about fundamental changes in accounting practices, including in the context of Islamic accounting. This transformation is marked by the emergence of various innovations such as financial technology (fintech), cloud-based accounting information systems, and the use of big data in financial information processing. In Sharia accounting, digital technology not only serves to improve operational efficiency, but also becomes a means to strengthen the application of sharia principles such as transparency, accountability,

and Justice. With the digital system, the financial recording and reporting process can be carried out in real-time, thus minimizing errors and improving the quality of the information produced (Zainuddin & Ismail, 2018).

One of the real forms of the role of technology in Islamic accounting is the use of integrated accounting information systems. This system allows organizations to manage financial data in a more systematic and structured manner, as well as simplify the audit and supervision process. In the context of Sharia, these systems can be designed to automatically identify transactions that do not conform to Islamic principles, such as those containing elements of *riba*, *gharar*, or *maysir*. Thus, technology not only acts as an administrative aid, but also as a control mechanism that helps ensure compliance with Sharia provisions (Romney & Steinbart, 2018). In addition, blockchain technology is starting to be widely discussed as an innovative solution in improving transparency and data security in Islamic accounting. Blockchain enables the recording of transactions in a decentralized and immutable manner, thereby reducing the risk of data manipulation and fraud. In Islamic financial institutions, the application of blockchain can be used to ensure that every transaction is recorded accurately and can be traced easily by interested parties. This is in line with the principle of transparency and trust in Islam, which demands openness and honesty in every economic activity (Tapscott & Tapscott, 2016).

On the other hand, the development of artificial intelligence (AI) and machine learning has also contributed significantly to the transformation of Islamic accounting. This technology allows the analysis of large amounts of financial data with a high degree of accuracy, and can be used to detect suspicious patterns in transactions. In practice, AI can assist Sharia accountants in monitoring sharia compliance more effectively and efficiently. However, the use of this technology also requires close supervision so as not to cause bias or errors in decision-making that can be contrary to Sharia values (Brynjolfsson & McAfee, 2017). Although digital technology offers a variety of benefits, its integration in Islamic accounting must still be done with attention to ethical aspects and Islamic values. Technology should not be a tool that simply ignores sharia principles for the sake of efficiency. Therefore, a balanced approach is needed between technological innovation and adherence to religious values. The role of regulators, academics, and practitioners becomes very important in formulating standards and guidelines that can direct the use of digital technology in Sharia accounting to remain in accordance with Islamic principles. Thus, digital transformation can be a key driver in the development of modern, adaptive, and still based on spiritual values (AAOIFI, 2020).

Challenges and opportunities in the Digital Age

The integration of Sharia values in the digital age presents complex challenges, especially in ensuring that technological developments remain in line with Islamic principles. One of the main challenges is the gap between the rapid development of technology and the readiness of Islamic financial institutions to adopt it. Many institutions are still facing limited technological infrastructure and lack of human resources who have competence in the field of technology and understanding of Sharia simultaneously. This causes the implementation of digital technology in Sharia accounting has not run optimally and is still partial in some institutions (Zainuddin & Ismail, 2018). In addition, the regulatory aspect is also an important challenge in the integration of Islamic accounting with digital technology. Until now, not all countries, including Indonesia, have a legal framework that comprehensively regulates the application of digital technology in the Islamic financial system. The absence of clear standards can lead to legal uncertainty and potentially open loopholes for practices that are not in accordance with Sharia principles. Therefore, an active role is needed from regulators and international standards institutions to develop guidelines that are able to accommodate technological developments while maintaining compliance with Islamic values (AAOIFI, 2020).

Another challenge is the potential for value deviations due to digitization, which tends to emphasize efficiency and speed. In some cases, the use of technology can obscure ethical aspects if not balanced with adequate supervision. For example, the automation of systems can lead to reduced human control in the decision-making process, thus potentially leading to errors or even violations of sharia principles. Therefore, it is important to ensure that any technological innovations implemented in Sharia accounting remain within the framework of Islamic moral and ethical values (Hameed, 2001). But behind these challenges, the digital era also opens up great opportunities for the development of Islamic accounting. Digital technology enables increased transparency and accountability through a more open and accessible reporting system for the public. This can increase public confidence in Islamic financial institutions, which have relied heavily on the principles of honesty and trustworthiness. In addition, digitalization also enables the expansion of access to Sharia financial services to the community that was previously unreachable, thus supporting sharia-based financial inclusion (Dusuki & Abdullah, 2007).

Furthermore, technological innovation provides opportunities to develop Islamic financial products and services that are more varied and competitive. For example, the development of Islamic fintech allows the creation of a more efficient

and transparent profit-sharing-based financing platform. In addition, the use of technologies such as blockchain can improve the security and reliability of the Islamic financial system. By utilizing this opportunity optimally, Sharia accounting can transform into a system that is not only relevant to the times, but also able to make a real contribution to economic development that is fair and sustainable. Therefore, the integration between Sharia values and digital technology must continue to be developed through synergies between innovation and adherence to Islamic principles (Tapscott & Tapscott, 2016).

CONCLUSION

Based on the discussion that has been described, it can be concluded that Sharia accounting in the digital era is a necessity that requires the integration of technological advances with fundamental Islamic values, such as justice, honesty, trustworthiness, and compliance with the principles of Prohibition of usury, gharar, and maysir. Digital transformation provides great opportunities in improving efficiency, transparency, and accountability through the use of technologies such as accounting information systems, blockchain, and artificial intelligence, but on the other hand also presents challenges in the form of limited human resources, regulations that have not been adaptive, and the potential for value deviations. Therefore, synergistic efforts are needed between regulators, academics, and practitioners to ensure that the implementation of technology in Sharia accounting remains in line with Sharia principles, so as to create a financial system that is not only modern and innovative, but also fair, ethical, and oriented to the welfare of the people as a whole.

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