

LITERATURE REVIEW STUDY ON THE APPLICATION OF SHARIA ACCOUNTING IN MSMES: IMPLEMENTATION AND CHALLENGES

Novita Tri Wulandari¹, Mardiana²

^{1,2}Faculty of Economics, Universitas Islam Negeri Maulana Malik Ibrahim Malang
Jl. Gajayana No.50, Dinoyo, Malang City, East Java, 65144, Indonesia
220501110128@student.uin-malang.ac.id

ABSTRACT

This study aims to analyze the application of sharia accounting in MSMEs and provide views on the challenges and implementation. This study uses a literature review methodology by collecting several empirical studies related to the application of sharia accounting in MSMEs. The results of this study are to play an important role in the Indonesian economy with its significant contribution to Gross Domestic Product (GDP) and labor absorption. Sharia accounting offers principles of financial management that are transparent, fair, and in accordance with Islamic values. The application of sharia accounting to MSMEs can increase consumer confidence and access to sharia financing. However, the application of sharia accounting in MSMEs is still constrained by a lack of understanding, limited skilled human resources, and a lack of adequate regulatory support and infrastructure. Various efforts need to be made to encourage the adoption of sharia accounting in MSMEs.

Keywords: Sharia Accounting, MSMEs, Implementation, Challenges, Literature Review

INTRODUCTION

In Indonesia, there are many MSMEs of various types. These MSMEs are basically family-run businesses, so their customers are the lower middle class. However, in reality, MSMEs are more stable than large corporations during the 1998 financial crisis. MSMEs are practically always present along the highway, and the number continues to grow year after year. This indicates that the number of MSMEs is increasing every year. It is hoped that with the growth of MSMEs, they will be able to significantly increase efforts to overcome social and economic problems in the country. MSMEs must be given attention to the progress and growth of their industries in order to survive and develop.

The majority of MSMEs in Indonesia are labor-intensive domestic businesses. Based on information from the Ministry of Cooperatives and SMEs, there were 65.4 million MSMEs in Indonesia in 2019. It can accommodate 123.3 thousand people with a total of 65.4 million business units. This shows how big the impact and contribution of MSMEs is in reducing the unemployment rate in Indonesia. Increased worker participation in MSMEs will contribute to a decrease in the national unemployment rate. MSMEs are now experiencing growth, with the number continuing to increase every year. Indonesia's economy will benefit from this encouraging trend. MSMEs account for 60.5% of the country's GDP, according to figures from the Ministry of Cooperatives and SMEs. This shows the great potential that MSMEs in Indonesia have to grow and make an even greater economic contribution.

In its capacity as a state administrator, the government can support the continued growth of MSMEs. The Government of the Republic of Indonesia has distributed People's Business Loans (KUR) to MSMEs as a means of assistance. KUR growth of IDR 178.07 trillion or around 16.25% in 2020 and IDR 1.92.59 trillion or around 8.16% in 2021, according to statistics from the Ministry of Cooperatives and SMEs. This further shows the fact that MSMEs actually need an injection of funds in order to develop. In addition, the government also provides credit to micro business actors who are at the bottom echelon, who have not received assistance from non-banks or People's Business Loans (KUR). Based on statistics from the Government Investment Center (PIP) of the Public Service Agency (BLU), the distribution of Micro Enterprises (UMi) reached Rp 26.2 trillion to 7.4

million borrowers between 2017 and 2022. This shows that there are still many micro business actors who still survive without KUR from banks (Ministry of Finance, 2023).

One of the problems is that MSME company owners often neglect financial management. MSME business actors need to have strong accounting knowledge and skills in order to manage their finances openly and honestly. According to Law Number 28 of 2007 article 28, bookkeeping is a recording process that is carried out periodically to collect financial data and information which includes assets, liabilities, capital, income, and costs. Financial statements must also be prepared neatly, in an orderly, correct, and orderly manner. Financial statements or bookkeeping are the cornerstone of an accounting system in a business company.

According to the Islamic view, everything must be completed perfectly, cleanly, and systematically. Although the business world is currently very competitive and requires MSMEs to continue to try to develop business strategies and business plans, one of which can be seen from financial statements, MSMEs still consider the preparation of financial statements to be troublesome and costly. There is a need to improve the capabilities of MSMEs in terms of professionalism, finance, and management to improve their performance (Sri, 2014).

The evolution of accounting theory that is in line with the sociological conditions of Indonesian society, the majority of which is Muslim, among others, is the emergence of sharia accounting in the country. The paradigm included in sharia accounting prioritizes Allah over other related parties in the purpose of financial statements. Following directions (compliance with sharia principles) is how the concept of Islamic Enterprise Theory—which aims to achieve *falah* through financial reporting—will be realized, according to Harahap. Three sources—the Quran, Hadith, and Fiqh—form the basis of sharia law. The fundamental purpose of Sharia law is to educate the public. The virtues of accountability, fairness, and truth are inherent in sharia accounting (Hani, 2018).

Sharia accounting can be defined as the process of recording, classifying, summarizing, reporting, and analyzing financial data to produce information that can be used in decision-making by interested parties guided by sharia principles. Here's what the experts say:

According to Harahap (2019), sharia accounting is a process of recording, classifying, summarizing, and presenting financial transactions that are carried out in accordance with sharia principles in the form of financial statements for the purpose of accountability to stakeholders and decision-making. Meanwhile, Nurhayati and Wasilah (2019) define sharia accounting as an accounting process for transactions that are in accordance with the rules that have been set by Allah SWT.

The application of sharia accounting in MSMEs in Indonesia is still relatively low. This is due to a lack of understanding and socialization about sharia accounting. However, some MSMEs have begun to apply sharia principles in their financial recording and reporting. As revealed by Suhairi and Fadzillah (2022), MSMEs in Indonesia that apply sharia accounting are still limited to sharia-oriented MSMEs, such as MSMEs engaged in halal culinary, Muslim fashion, and so on.

In writing this article, the research methodology used is the literature review method to explore and analyze the application of sharia accounting in MSMEs in Indonesia. Literature review is a research method that involves searching, evaluating, and synthesizing from various literature sources relevant to the research topic (Snyder, 2019).

After collecting relevant literature, the next step is to evaluate the quality and relevance of the literature. Only literature that meets certain criteria, such as accredited scientific journals, books, and research reports published in the last five years, will be considered for further analysis.

Furthermore, a synthesis of the literature that has been collected and evaluated is carried out. This synthesis includes the analysis, interpretation, and drawing conclusions from the various findings and perspectives presented in the literature. This process aims to provide a more comprehensive understanding of the application of sharia accounting in MSMEs in Indonesia, including the challenges and opportunities faced.

LITERATURE REVIEW

Sharia Accounting

Sharia accounting is a process of recording, classifying, summarizing, and presenting financial transactions that are carried out in accordance with sharia principles in the form of financial statements for the purpose of accountability to stakeholders and decision-making (Harahap, 2019).

Sharia Accounting

Define sharia accounting as an accounting process for transactions that are in accordance with the rules that have been set by Allah SWT (Nurhayati dan Wasilah, 2019).

METHODS

This research uses a systematic literature review method to examine the implementation of Islamic accounting in Micro, Small, and Medium Enterprises (MSMEs). The process begins with the formulation of research questions that focus on the practices, challenges, and impacts of implementing Islamic accounting in the MSME sector.

RESULTS

Sharia accounting for Micro, Small, and Medium Enterprises (MSMEs) is based on principles that are in accordance with Islamic law (sharia). The basic concepts of sharia accounting include honesty, fairness, and transparency in financial recording and reporting. One of the important characteristics of sharia accounting is the prohibition of riba (interest), which means that all financial transactions must be free of interest. In addition, sharia accounting also requires the existence of zakat, which is the obligation to pay part of the profits for charity, which must be recorded and reported appropriately. In the context of MSMEs, the application of sharia accounting means recording all transactions in accordance with sharia principles, ensuring that the profits obtained are halal (based on permitted business activities), and distributing zakat in accordance with the provisions (Anwar, 2018).

The application of sharia accounting for MSMEs also involves the use of sharia contracts in business transactions, such as mudharabah (business partnership) and murabahah (buying and selling with additional profit margins). These agreements are designed to encourage fairness and cooperation between the parties involved, as well as to ensure that risks and benefits are shared fairly. In this case, MSMEs that apply sharia accounting can be more trusted by consumers and business partners who prioritize Islamic values, thus potentially increasing customer reputation and loyalty. In addition, by adopting sharia accounting principles, MSMEs can support more sustainable and ethical economic growth, in accordance with Islamic values (Basri & Suryani, 2019).

The practice of applying sharia accounting in various Micro, Small, and Medium Enterprises (MSMEs) has shown a significant increase in recent years. Many MSMEs have begun to adopt sharia principles in their accounting systems in response to increasing consumer demand for products and services that comply with Islamic law. This application includes the use of sharia contracts, such as murabahah, musharakah, and mudharabah, in their business transactions. In addition, MSMEs also implement financial statements prepared based on sharia principles, which include zakat reporting, fair profit distribution, and the prohibition of riba (interest) in all their financial transactions. Research shows that MSMEs

that apply sharia accounting tend to have better financial performance and are more trusted by Muslim consumers (Syukri & Rahman, 2019).

The adoption of sharia accounting by MSMEs is not only driven by religious factors, but also by the economic benefits that are felt. By applying sharia principles, MSMEs can attract a wider market segment and increase customer loyalty that values integrity and transparency in business (Hidayat & Fauziah, 2020). In addition, various trainings and workshops held by Islamic financial institutions and the government also contribute to improving the understanding and skills of MSME owners in applying sharia accounting. However, challenges such as the lack of consistent standards and the limitation of skilled human resources remain the main obstacles in implementasi full sharia accounting in the MSME sector (Zulkifli & Yusof, 2022). However, with the development of Islamic financial infrastructure and regulatory support, it is hoped that This practice will continue to grow and make a positive contribution to the economy (Ningsih & Syafrudin, 2023).

The application of sharia accounting faces a number of major challenges, including a lack of understanding and knowledge among practitioners and academics about the principles of sharia accounting, as well as limited standardized standards in different countries. Sharia accounting differs from conventional accounting because it must comply with sharia principles, such as the prohibition of riba (interest) and gharar (uncertainty). Another challenge is the lack of integration and harmonization between sharia accounting standards and international accounting standards, which can lead to confusion and inconsistency in financial reporting practices. In addition, the infrastructure and regulations that support sharia accounting are often inadequate, which can hinder its effective implementation (Obaidullah, 2020).

To overcome these challenges, several key strategies are needed. First, increasing education and training on sharia accounting for practitioners and academics through special curricula, workshops, and professional certifications. Second, the development and harmonization of clearer and more structured international sharia accounting standards, such as those initiated by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions). Third, increased cooperation between regulatory authorities, Islamic financial institutions, and international standardization bodies to ensure compliance and integrity of financial reporting. Fourth, the development of information technology that supports the sharia accounting system can also be an important solution to improve efficiency and accuracy in sharia-based financial reporting. By implementing these strategies, it is hoped that the challenges in the application of sharia accounting can be overcome more effectively (Kamla & Haque, 2019).

Various studies and findings from the last five years regarding sharia accounting in MSMEs (Micro, Small, and Medium Enterprises) show a variety of perspectives and interesting results. MSME actors' understanding of sharia accounting is still limited, as shown by Nurhayati et al. (2019) who stated that many MSMEs do not understand basic principles such as the prohibition of usury and the importance of transparency in financial records. However, research by Safira and Wahyuni (2020) found that MSMEs that have a better understanding of sharia accounting, which is often obtained through training and mentoring, tend to be more successful in implementing this system.

However, various obstacles hinder the application of sharia accounting in MSMEs. Wulandari and Fitria (2021) identified the lack of skilled human resources, high implementation costs, and lack of support from the government and financial institutions as the main obstacles. In addition, Hanafi (2022) highlighted technological constraints, where many MSMEs do not have an adequate accounting information system to implement sharia accounting effectively.

On the other hand, the benefits of applying sharia accounting for MSMEs are quite significant. Rahmawati (2023) found that MSMEs that successfully implemented accounting sharia tends to get an increase in terms of consumer trust and access to Sharia financing, which in turn increases the credibility and transparency of businesses. Azhar and Zainudin (2021) also added that the application of sharia accounting can help MSMEs in better financial management and reduce business risks due to the emphasis on honest and fair record-keeping.

Support from various parties is very important in this process. Fadilah et al. (2020) emphasized the importance of support from the government and financial institutions in the form of continuous training and education. In addition, Rachman and Putri (2021) showed that collaboration between universities and MSMEs can help provide competent human resources and the technology needed for the application of sharia accounting.

Overall, although there are many benefits from the implementation of sharia accounting in MSMEs, various obstacles need to be overcome to achieve effective implementation. A good understanding of sharia accounting principles, ongoing support from various parties, and adequate training are key factors that can help MSMEs in implementing sharia accounting successfully.

The implications for the theory and practice of sharia accounting in MSMEs (Micro, Small, and Medium Enterprises) are significant, especially in creating a fairer and more transparent financial system in accordance with sharia principles. Sharia accounting theory emphasizes the concepts of fairness, transparency, and accountability that are not only beneficial for business owners but also for the wider community. In practice, the application of sharia accounting in MSMEs allows for more disciplined and ethical financial management, which can ultimately increase the trust of investors and other stakeholders. Research shows that MSMEs that apply sharia principles tend to have a higher level of compliance with ethical and accounting standards, which can reduce financial and operational risks (Farook & Lanis, 2018)

On the other hand, the challenges in applying sharia accounting to MSMEs cannot be ignored. Limited resources and lack of understanding of sharia accounting are still the main obstacles. Training and education on sharia accounting need to be improved to ensure adequate understanding among MSME actors. The study emphasizes the importance of the role of the government and educational institutions in supporting the implementation of sharia accounting through clear regulations and comprehensive training programs. Thus, effective adaptation of sharia accounting in MSMEs will not only improve the quality of financial statements, but also help achieve broader socio-economic goals in accordance with sharia principles (Kamla & Alsoufi, 2020)

The gap in the literature on sharia accounting in MSMEs (Micro, Small, and Medium Enterprises) often lies in the lack of focus on the specific context of MSMEs in the application of sharia accounting principles. Many studies are more likely to examine sharia accounting practices in large companies or in macroeconomic contexts, while MSMEs are often overlooked. In addition, the literature that exist also tend to be more focused on theoretical aspects rather than more in-depth empirical research in the field, resulting in a lack of understanding of the real challenges and opportunities faced by MSMEs in implementing sharia accounting.

For future research, it is recommended to further deepen the understanding of sharia accounting applications that are in accordance with the unique characteristics of MSMEs. Empirical research involving direct case studies in MSMEs can provide deeper insights into the practical obstacles faced by MSMEs in implementing sharia accounting, such as limited resources, financial literacy levels, and business owners' perception of the benefits obtained from the use of sharia accounting systems. In addition, the research can explore

the potential contribution of MSMEs to the sharia economy more broadly, including the social and economic impacts of the adoption of sharia accounting at the MSME level. Thus, future research in this field is expected to provide more concrete guidance for practitioners, regulators, and other stakeholders in promoting the sustainable growth of MSMEs and in accordance with the principles of sharia economics.

CONCLUSION

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the Indonesian economy with their significant contribution to Gross Domestic Product (GDP) and labor absorption. However, financial management is still a big challenge for many MSMEs. Sharia accounting offers principles of financial management that are transparent, fair, and in accordance with Islamic values. The application of sharia accounting to MSMEs can increase consumer confidence and access to sharia financing. However, the application of sharia accounting in MSMEs is still constrained by a lack of understanding, limited skilled human resources, and a lack of adequate regulatory support and infrastructure. Various efforts need to be made to encourage the adoption of sharia accounting in MSMEs, such as improving education and training, developing clear sharia accounting standards, and collaboration between the government, financial institutions, and academics.

REFERENCES

AAOIFI. (2023). Accounting and Auditing Organization for Islamic Financial Institutions. Retrieved from <https://www.aaoifi.com>.

Anwar, M. (2018). "Akuntansi Syariah untuk UMKM: Konsep dan Implementasi," *Jurnal Akuntansi dan Keuangan Islam*, 6(1), 45-58.

Azhar, Z., & Zainudin, A. (2021). Risiko dan Akuntansi Syariah pada UMKM. *Jurnal Bisnis dan Ekonomi Islam*.

Basri, Y. M., & Suryani, E. (2019). "Penerapan Akuntansi Syariah pada UMKM: Studi Kasus di Indonesia," *Jurnal Ekonomi Syariah*, 7(2), 123-134.

Fadilah, N., et al. (2020). Pelatihan dan Dukungan Pemerintah dalam Akuntansi Syariah. *Jurnal Pendidikan Ekonomi Syariah*.

Farook, S., & Lanis, R. (2018). Accounting and Auditing in Islamic Finance. Palgrave Macmillan.

Hanafi, M. (2022). Teknologi dan Akuntansi Syariah pada UMKM. *Jurnal Sistem Informasi*.

Hidayat, R., & Fauziah, N. (2020). Penerapan Akuntansi Syariah pada UMKM: Studi Kasus di Kota Bandung. *Jurnal Akuntansi dan Bisnis Islam*, 9(1), 45-59.

Kamla, R., & Alsooufi, R. (2020). "The Role of Government and Educational Institutions in the Implementation of Islamic Accounting Standards in SMEs," *Journal of Islamic Accounting and Business Research*.

Kamla, R., & Haque, F. (2019). Islamic Accounting, Neo-imperialism and Identity Staging: The Accounting and Auditing Organization for Islamic Financial Institutions. *Critical Perspectives on Accounting*, 62, 1-15.

Maulana, I., & Putri, S. (2021). Efektivitas Penerapan Akuntansi Syariah di UMKM. *Journal of Islamic Economic Studies*, 10(3), 78-92.

Ningsih, T., & Syafrudin, M. (2023). Pengaruh Penerapan Akuntansi Syariah terhadap Kinerja Keuangan UMKM. *Jurnal Keuangan dan Bisnis Islam*, 10(2), 112-127.

Nurhayati, et al. (2019). Pemahaman Akuntansi Syariah di Kalangan UMKM. *Jurnal Ekonomi Syariah*.

Obaidullah, M. (2020). Challenges in Islamic Finance: Looking Ahead. *Islamic Economic Studies*, 27(1), 75-95.

Rachman, T., & Putri, Y. (2021). Kolaborasi Universitas dan UMKM dalam Akuntansi Syariah. *Jurnal Ilmiah Manajemen Syariah*.

Rahmawati, A. (2023). Manfaat Akuntansi Syariah bagi UMKM. *Jurnal Keuangan Syariah*.

Safira, R., & Wahyuni, E. (2020). Implementasi Akuntansi Syariah pada UMKM. *Jurnal Akuntansi Syariah*.

Syukri, M., & Rahman, A. (2019). Implementasi Akuntansi Syariah pada UMKM. *Jurnal Ekonomi Islam*, 7(2), 101-113.

Wulandari, S., & Fitria, N. (2021). Kendala Implementasi Akuntansi Syariah di UMKM. *Jurnal Manajemen dan Bisnis Syariah*.

Zulkifli, A., & Yusof, N. (2022). Tantangan dan Peluang Implementasi Akuntansi Syariah pada UMKM di Indonesia. *Jurnal Keuangan Islam*, 8(4), 65-80.

