

CONVERGENCE OF SHARIA ACCOUNTING STANDARDS WITH PSAK: CHALLENGES AND PROSPECTS IN INDONESIA

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Abstract: This study examines the convergence between Sharia accounting standards and financial accounting standards (PSAK) in Indonesia, focusing on the challenges and prospects of implementation. As the Islamic finance industry continues to grow, the harmonisation of Shariah accounting standards with PSAK is essential to produce more transparent and accountable financial statements that comply with Shariah principles. However, this convergence process is not without its challenges, such as the fundamental differences between Shariah principles and conventional accounting concepts, the limited availability of human resources with expertise in both standards, and the lack of understanding among industry players. Nevertheless, the prospects of this convergence offer significant opportunities to improve the quality of Islamic financial reporting, attract more investors and enhance the competitiveness of Islamic financial institutions in the global market. This research adopts a qualitative approach by analysing various literature, regulations and secondary data related to the implementation of Shariah accounting and PSAK in Indonesia. The findings are expected to provide insights into the importance of aligning accounting standards to support the growth of the Islamic economy in Indonesia and open up opportunities for international cooperation.

Keywords: Convergence, sharia accounting, PSAK, challenges, prospects.

Introduction

The convergence between the Sharia Financial Accounting Standards (Sharia SAK) and the Statement of Financial Accounting Standards (PSAK) in Indonesia is a complex and multifaceted issue affecting accounting practices in the Islamic financial sector. The fundamental difference between these two standards lies in the underlying principles. SAK Syariah is based on Islamic principles that prohibit riba, gharar and maysir, while PSAK refers more to universal international accounting principles (Rahayu and Setiawan 2019). Research shows that despite efforts to harmonise the two standards, the challenges faced by practitioners and academics in understanding and applying the corresponding standards remain significant (Diyani, L., Kusumawati, R., & Oktapriana 2022).

One of the major challenges in this convergence is the lack of in-depth understanding of SAK Syariah among practitioners and academics. (Diyani, L., Kusumawati, R., & Oktapriana 2022) found that many undergraduate and graduate students who are new to accounting have difficulty understanding the differences between SAK and SAK Syariah, which is exacerbated by the lack of adequate training in Islamic accounting. In addition, the fact that earnings management by companies in Indonesia showed significant differences before and after the implementation of IFRS convergence PSAK reflects the challenge of integrating Shariah

principles with existing accounting practices (Ardiansyah et al. 2023). This suggests that a better understanding of both standards is essential to reduce the gap in accounting practices.

On the other hand, the prospect of convergence is also promising, especially in improving the transparency and accountability of the financial statements of Islamic financial institutions. Good implementation of accounting standards can improve the relevance and honest representation in financial statements, which is important for building trust among stakeholders (Larasati & Sumardi, 2018). Another study highlighted that the implementation of the new PSAK 71 could have a positive impact on the allowance for impairment losses on earning assets, which is an important aspect of risk management in the banking sector (Ardiansyah et al. 2023). Thus, although the challenges are considerable, the potential to improve the quality of financial statements and strengthen the integrity of the Islamic financial sector in Indonesia is enormous.

Harmonisation between Sharia SAK and PSAK can also strengthen Indonesia's position as a global centre for Islamic finance. The challenges of implementing IFRS in Indonesia can be overcome with a more inclusive and adaptive approach to local needs (Aditya Ramadhan 2023). Collaboration between regulators, academics and practitioners is needed to create a framework that supports this convergence (Thalib 2023). Overall, despite significant challenges in the convergence of SAK Syariah with PSAK, the prospects for better alignment of accounting practices in Indonesia are promising. With the right efforts, this convergence can improve the quality of financial statements and strengthen the integrity of the Islamic financial sector in Indonesia.

The purpose of this article is to examine in depth the key challenges faced in the process of convergence of Islamic accounting standards with PSAK in Indonesia. In addition, this article will also analyse the future prospects of this initiative in supporting the sustainable growth of the Islamic finance industry and provide strategic recommendations to overcome the existing obstacles and maximise the benefits of convergence.

Literature Review

Challenges of convergence

The convergence process between the Sharia Financial Accounting Standards (Sharia SAK) and the Statement of Financial Accounting Standards (PSAK) in Indonesia faces various challenges that have been discussed in previous literature. One of the main challenges is the philosophical difference between Islamic and conventional accounting. Islamic accounting is based on Shariah principles that prohibit usury, gharar (uncertainty) and maisir (speculation), while conventional accounting operates within a different capitalist framework (Rahayu and Setiawan 2019). Rahayu dan Setiawan (Rahayu and Setiawan 2019) point out that these differences create difficulties in harmonising the two standards, particularly in terms of applying accounting principles that are consistent with Shari'ah values.

One of the key challenges in convergence is the lack of understanding and skills among accounting professionals in adopting and applying Islamic accounting standards. Research by Oktaviana (Oktaviana 2022) found that many accounting professionals do not yet have adequate knowledge of Islamic accounting, which hinders effective implementation. Furthermore, the lack of clear guidance and consistent implementation is also a major obstacle in this convergence process (Yuyanti Rahman, Sahmin Noholo, and Ivan Rahmat Santoso 2019). This suggests the need for more intensive coaching and capacity building among accounting professionals to ensure they can implement both standards correctly.

In addition, the challenges of financial measurement and reporting for transactions that are unique to Islamic finance, such as zakat, waqf and grants, are also important issues.

Therefore, a more harmonised approach and internationally agreed standards are needed to reduce these differences (Aditya Ramadhan 2023).

The study by Khotimah and Budi (Khotimah and Budi 2020) emphasises the importance of government support and appropriate regulation to promote the convergence of these standards. Without strong policy support, the convergence process may be hampered by resistance from various stakeholders who may feel threatened by these changes. This suggests that the active involvement of government and regulators is crucial for successful convergence. In the Indonesian context, Hadi's research shows that the main challenge is the integration between the Shari'ah legal system and the various national legal systems. This harmonisation requires the joint efforts of various parties, including regulators, academics and industry practitioners (Prabowo 2022). Therefore, the involvement of different stakeholders in this convergence process is key to creating a more coherent and effective framework.

Overall, although there are significant challenges in converging SAK Syariah with PSAK, coordinated efforts and support from various parties can help overcome these barriers and maximise the benefits of convergence.

Prospects for convergence

The prospect of convergence between the Shariah Financial Accounting Standards (SAK Syariah) and the Statement of Financial Accounting Standards (PSAK) in Indonesia has great potential to strengthen the Islamic finance industry in the global arena. One of the most important prospects is increased investor confidence. The harmonisation of standards is expected to make the financial statements of Islamic companies more comparable with international financial statements, thereby attracting more foreign investment. Research by Andari confirms that convergence of standards can increase credibility and confidence in Islamic finance, which in turn can broaden the investor base and increase capital flows to the sector (Andari 2019).

In addition, convergence has the potential to improve operational efficiency. With harmonised standards, Islamic financial institutions can reduce compliance costs and improve the efficiency of financial reporting (Wiwin Juliyanti1 2021). This is also supported by research showing that consistent standards can facilitate the examination and supervision process by regulators, thereby reducing the administrative burden on Islamic financial institutions (Ramadhani, Qadri, and Kurniawan 2021).

Another prospect is the strengthening of Indonesia's position as a global Islamic finance centre. As the country with the largest Muslim population, Indonesia has a great opportunity to take the lead in Islamic accounting standards. Through convergence, Indonesia can demonstrate its commitment to the integration of international standards, which can strengthen its competitiveness in the global market. Convergence can strengthen competitiveness and attract more international market participants to the Islamic finance ecosystem in Indonesia (Herianingrum et al. 2019).

Convergence is also expected to increase Islamic financial literacy among the general public. With standards that are easier to understand and apply, the public is expected to be more confident and interested in using Islamic financial products and services. Increased financial literacy can promote financial inclusion and expand the reach of the Islamic finance industry (M Iqbal Affandi and Farida Rahmawati 2023).

Thus, greater public understanding of Islamic financial products will contribute to the growth of the sector. Given these prospects, convergence of Islamic accounting standards with PSAK in Indonesia can be a strategic move that not only strengthens the Islamic finance industry but also supports overall national economic growth. Efforts to achieve effective

convergence should involve collaboration between regulators, academics and practitioners to create a supportive and sustainable framework.

Policy Implications

The convergence of Islamic accounting standards with the Statement of Financial Accounting Standards (PSAK) in Indonesia has important policy implications. First, the government needs to strengthen regulations that support the implementation of converged Islamic accounting standards. This regulatory support includes policies that ensure alignment between national and international standards and provide clear guidance to industry players in adopting new standards. Research by Indriyani shows that the role of regulators is critical in providing a framework that supports the implementation of Islamic accounting standards (Indriyani and Mappanyukki 2022). This includes effective supervision and sanctioning of firms that do not comply with the standards. Strong regulation can improve compliance and promote transparency in Islamic financial reporting.

Second, the government and related institutions need to strengthen education and training for accounting professionals. The study by Larasati and Sumardi shows that one of the main obstacles to convergence is the lack of knowledge and skills among accounting professionals. By providing comprehensive and sustained training programmes, it is expected that professionals will be better prepared to adopt new standards (Larasati and Sumardi 2018). This is also in line with research highlighting the importance of Islamic accounting education to improve the quality of human resources in the sector.

Third, government policies should also encourage collaboration between regulators, academics and industry practitioners to create an enabling environment for convergence. Research by Rahman et al. highlights the importance of a collaborative approach in addressing the challenges of convergence. This collaboration may include the development of more detailed guidance, joint research, and discussion forums involving different stakeholders (Yuyanti Rahman et al. 2019). Thus, the involvement of various stakeholders in the convergence process is key to creating a more coherent and effective framework.

By considering the implications of this policy, it is expected that the convergence of Islamic accounting standards with PSAK in Indonesia will be smoother and bring maximum benefits to the development of the Islamic financial industry in Indonesia. Coordinated efforts in regulation, education and cooperation will strengthen the foundation for the future growth of the industry.

Method

The research method uses a literature review with data sources in the form of scientific articles and official documents as the basis for collecting information. The literature review research method uses the Publish or Perish 8 application with the Google Scholar source. The keywords used were 'Islamic accounting' and 'PSAK in Indonesia' with publication years 2019-2024 as the research data population. The criteria used to select the scientific articles are based on the relevant literature and come from accredited national journals.

The next process is to screen the article by opening the Open Journal System (OJS) link to find out whether the journal is a national journal, repository, ResearchGate, Scribd, accredited national journal, Copernicus, proceedings, thesis or other. In this study, the data used came from scientific articles from Sinta-accredited national journals. The data obtained are processed by first determining the topics related to Islamic accounting, year of publication, volume and number, research objectives, keywords, research methods, population and research samples, and conclusions.

Data analysis will be used to develop an in-depth understanding of Islamic accounting by identifying gap areas that have been addressed by previous research and finding research areas that need to be the subject of further research.

Result and Discussion

This study reveals some important findings related to the convergence between Sharia Financial Accounting Standards (Sharia SAK) and Statement of Financial Accounting Standards (PSAK) in Indonesia. The analysis shows that there are significant challenges in this convergence process, mainly due to the fundamental differences between Islamic and conventional accounting principles. These challenges include a lack of in-depth understanding of SAK Syariah among practitioners and academics, as well as limited human resources capable of mastering both standards. In addition, studies show that many Islamic financial institutions in Indonesia still face difficulties in applying Shariah-compliant PSAK, resulting in discrepancies in their financial statements.

The difference between Islamic and conventional accounting is fundamental, particularly in terms of the underlying principles. Islamic accounting emphasises compliance with Islamic law, which prohibits *riba* (interest), *gharar* (uncertainty) and *maysir* (gambling). Meanwhile, conventional accounting focuses more on general and internationally accepted accounting principles, which can sometimes conflict with Shariah principles. This incompatibility is a major obstacle to convergence between Shariah SAK and PSAK, as accounting practices in the Islamic finance industry must remain consistent with Shariah values while following globally accepted standards.

However, the prospects for convergence are promising. Research has shown that harmonisation between the Shariah SAK and the PSAK can improve the transparency and accountability of Islamic financial institutions' financial statements, which in turn can attract more local and international investors. The implementation of converged standards is also expected to strengthen Indonesia's position as a global Islamic finance centre. In addition, this convergence can improve Islamic financial literacy among the public, thereby promoting financial inclusion and expanding the reach of the Islamic finance industry.

Convergence between SAK Syariah and PSAK can help improve the quality of financial reporting by Islamic financial institutions, which is an important factor for investors. With more transparent and accountable reports, investors can feel more confident in investing their capital, both locally and internationally. On the other hand, harmonisation of these standards also has the potential to enhance Indonesia's image as a leader in the global Islamic finance industry, which is currently growing rapidly, especially in the Southeast Asian region. Increased Islamic financial literacy will also reduce the knowledge gap in society and encourage more people to participate in the Islamic financial system.

Tabel literature review

No	Title	Author	Research Results
1	Does the convergence of the International Financial Reporting Standards increase the value relevance of the accounting information?	(Rahayu and Setiawan 2019)	This study found that IFRS convergence in Indonesia has increased the value relevance of accounting information for both large and small companies. This suggests that the adoption of international standards can have a positive impact on the quality of

			financial statements, which is relevant in the context of the convergence of Sharia SAK and PSAK.
2	The Effect of Islamic Accounting Implementation on Firm Value as Islamic Accounting Develops in Indonesia	(Aditya Ramadhan 2023)	This study shows that the application of Islamic accounting can increase firm value, especially in the context of information disclosure and market access. This suggests a positive outlook for the convergence of Sharia SAK and PSAK in enhancing firm value in the Islamic financial sector.
3	The Role of Fintech in the Transformation of the Islamic Financial Sector	(Norrahman 2023)	This research found that Islamic fintech can accelerate financial access for previously underserved communities, despite regulatory challenges. This suggests that technological innovation can be an opportunity in the conversion of Islamic and conventional accounting.
4	Is Cash Basis Profit Sharing Fair to Islamic Bank Depositors?	(Siregar 2016)	The results of the study show that the cash basis of profit distribution is not consistently applied, which may be detrimental to depositors. The study recommends revisions to Islamic accounting standards to implement the accrual basis of accounting, which is a challenge in achieving alignment between SAK Syariah and PSAK.
5	Implementation of Musyarakah Mutanaqishah Financing at Bank Kalbar Syariah	(Purnamasari 2022)	This study found the implementation of musyarakah mutanaqishah financing at Bank Kalbar Syariah, which shows the contribution of Islamic financing to bank profitability. This research is important in understanding how Islamic accounting practices can be integrated with broader accounting standards.
6	Trends and Dynamics of Islamic Accounting Research in Indonesia: A Bibliometric Analysis	(Dita Fauziah, Ai Nur Bayinah, Sepky Mardian 2022)	This study provides an analysis of research trends in Islamic accounting, which can help to understand the developments and challenges in convergence with PSAK.

7	Analysis of the Application of PSAK 22 to the Presentation of Financial Statements of Bank Syariah Indonesia Post Merger (Study on BSI KCP Panakkukang)	(Ardiansyah et al. 2023)	This research examines the application of PSAK in the context of Islamic banks, providing insight into the challenges and practices of convergence.
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This research underscores the significance of support from various stakeholders, including the government, regulators, academics, and practitioners, to overcome the challenges inherent in accounting standards convergence. The necessity of supportive regulations, adequate training, and close collaboration between stakeholders is paramount to ensure the success of this process. This study offers valuable insights into the potential of accounting standards convergence to drive the growth of the Islamic finance industry in Indonesia, as well as provides strategic recommendations to optimize the convergence process.

The process of accounting standards convergence necessitates more than technical harmonization between SAK Syariah and PSAK; it requires cooperation among various relevant parties, including the government, regulators, academics, and industry practitioners, to ensure the successful execution of the convergence process. Absent robust support and adequate regulation, the challenges associated with harmonizing these standards could impede the desired progress. Specifically, the government and regulators must establish policies that support the implementation of converged standards, while academics and practitioners should collaborate to develop training materials and competency improvement programs for human resources involved in the Islamic finance industry. By taking these steps, a more effective and efficient convergence of accounting standards can be realized, which will ultimately accelerate the growth of the Islamic finance sector in Indonesia.

Conclusion

The convergence between Sharia Financial Accounting Standards (Sharia SAK) and Statement of Financial Accounting Standards (PSAK) in Indonesia faces significant challenges, especially related to the fundamental differences between Islamic and conventional accounting principles. However, this convergence has promising prospects, as it can improve the transparency and accountability of financial statements of Islamic financial institutions, as well as strengthen Indonesia's position as a global center of Islamic finance. Achieving this convergence's success is contingent upon the involvement and support of various stakeholders, including the government, regulators, academics, and practitioners. The presence of supportive regulations, adequate training, and effective collaboration among stakeholders is also crucial. Implementing strategic initiatives can foster the growth of the Islamic finance industry in Indonesia and enhance Islamic financial literacy within the community.

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