




The Nexus of Accounting and Dispute Resolution in Islamic Banking and Finance Law

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Abstract

This paper examines the impact of accounting for Islamic finance in dispute resolution within Islamic banking and finance (IBF) law. The global expansion of the IBF industry has heightened the necessity for robust dispute resolution mechanisms capable of addressing complex financial arrangements. These mechanisms must reconcile conventional legal frameworks with Islamic commercial law, requiring interdisciplinary expertise in both finance and jurisprudence. A significant challenge arises from the inadequate integration of accounting practices with Islamic finance dispute resolution. Financial records, essential for validating contractual adherence to Sharia principles, are often misinterpreted or underutilized in legal contexts due to a lack of expertise among judges, lawyers, and accountants in both Islamic finance and its accounting standards. The study adopts a legal approach, employing an analytical design to examine the fundamental principles and processes of dispute resolution in Islamic finance. The legal analysis will involve a comprehensive review of relevant legal sources, including Islamic law, national laws and regulations, court judgments, legal opinions, and industry standards. The study shows that the promotion of legal certainty will require a strong base of legal and Islamic finance professionals and the competence and awareness of accountants, lawyers, and judges to understand the principles of IBF. The study also shows that financial records, statements, and documentation have a significant role in resolving disputes. Accounting records can provide evidence of transactions and terms agreed upon. Properly documented and transparent accounting practices can help clarify the nature of the dispute and contribute to finding a fair and efficient resolution in the context of Islamic financial disputes.

Keywords: Accounting for Islamic finance; AAOIFI standards; Islamic finance reporting practices; Sharia-compliance; Legal certainty; Accounting and auditing

1. Introduction

Islamic banking and finance (IBF) is a subject of significant academic and practical interest due to its global reach, with Islamic financial institutions (IFIs) operating worldwide (Biancone et al., 2020). Islamic finance is adapting to varied legal and regulatory frameworks as well as different cultural contexts (Aqib Ali, 2023). The IBF has a social impact, as it focuses on the principles of Islamic moral economy (Meskovic et al., 2021), promotes financial inclusion (Franciosi, 2025), and provides access to capital for small- and medium-sized enterprises, while also supporting socially responsible investments (Brescia et al., 2021). Islamic finance is based on the sharing of risk and profit in the various financing contracts, rather than on interest and interest payments. (Khavarinezhad et al., 2021).



The IBF also offers research opportunities for scholars from various fields, including finance, economics, law, and Islamic studies (Secinaro et al., 2021). This interdisciplinary nature of IBF research has led to an innovative research venture and a new collaboration. (Khan et al., 2022)

Accounting for Islamic finance refers to the specific set of accounting principles and procedures designed to satisfy the requirements of IsFIs and transactions. Accounting for Islamic finance involves developing accounting standards and practices that adhere to the principles of Sharia. It entails creating accounting frameworks that reflect the performance of IsFIs while ensuring compliance with Islamic principles (Suryanto & Ridwansyah, 2016). Several organizations and standard-setting bodies, such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), work on developing and harmonizing accounting standards specific to Islamic finance to ensure consistency and transparency across the industry (Hassan & Aliyu, 2018). These standards provide guidelines for financial reporting, auditing, and disclosure in Islamic financial institutions, facilitating the growth and credibility of the Islamic finance sector. (El-Halaby et al., 2020; Hassan & Raza Rabbani, 2023; Tasnia et al., 2023)

The intersection of accounting practices and dispute resolution mechanisms in IBF represents a critical yet underexplored junction. The need for robust accounting standards and effective dispute resolution mechanisms is becoming increasingly significant, particularly in light of the role of Islamic principles in shaping financial and legal practices. Despite this, a comprehensive exploration of how these principles influence the governance and operations of IsFIs, particularly in the context of dispute resolution, remains limited in the existing literature.

This paper aims to bridge this gap by examining the intricate relationship between Islamic principles and accounting for Islamic finance. While conventional literature has traditionally focused on secular economic models, the interplay between religious values and financial transactions offers a unique perspective that has not been extensively explored. This study sets out to position Islamic accounting within the broader context of Islamic finance, shedding light on its distinctive principles and practices.

The objective of this paper is to elucidate how accounting practices influence the process of resolving disputes within the context of Islamic finance. By scrutinizing the fundamental principles of Islamic accounting and their application in real-world dispute resolution scenarios, this research aspires to provide notable findings for practitioners, policymakers, and scholars alike. Understanding the role of accounting in resolving financial disputes is essential not only for enhancing the efficacy of dispute resolution mechanisms but also for ensuring the overall integrity and stability of IsFIs.

To position this research within the existing body of knowledge. The study conducted a thorough literature review. This comprehensive review aimed to identify any prior intersections between dispute resolution and accounting within the context of Islamic finance. However, the search yielded limited results, emphasizing the novelty and significance of this study. Additionally, the study scrutinized the research output of the literature on accounting, seeking potential links to dispute resolution. While the accounting literature is extensive, the specific connections between accounting methodologies and dispute resolution strategies in the context of Islamic finance have been notably absent from scholarly discourse.

Against this backdrop, this paper aims to bridge this gap by exploring the impact of accounting practices on the resolution of financial disputes within IsFIs. Understanding the complex relationship between accounting practices and dispute resolution mechanisms is not only crucial for enhancing the efficacy of dispute resolution processes but also for ensuring the overall integrity and stability of IsFIs.

In the subsequent sections, this paper will review the existing literature, identifying gaps and limitations in the current knowledge. The methodology section outlines the research approaches and tools used to investigate the intersection between accounting and dispute resolution in Islamic finance. Following this, the study's findings will be presented, analyzed, and discussed in detail. The paper will conclude by summarizing the key insights, their implications, and avenues for future research, thereby contributing to a deeper understanding of the intricate relationship between accounting practices and dispute resolution mechanisms in IBF.

2. Literature review

2.1 Mitigating uncertainty from classical contracts to modern practice

Within Islamic commercial law, the concept of *gharar*, which denotes excessive uncertainty, risk, or ambiguity in a contract, plays a fundamental role in ensuring transactional fairness. A key distinction is made between the theoretical existence of a commodity and the seller's practical ability to deliver it. For example, while a bird exists in the sky or a fish in the sea, the



inherent uncertainty in capturing them renders a contract for that specific animal invalid due to *gharar*. (El-Gamal, 2006; Milenkovic & Milenkovic, 2016)

This principle emerged from the vibrant commercial practices of early Islamic society, where goods were often traded unseen, before being physically possessed, or prior to their acquisition. The intersection of these dynamic market customs with religious law necessitated the development of precise juridical rules to mitigate speculative risk. Consequently, Islamic jurisprudence established clear prohibitions against contracts involving excessive *gharar*. This ethical framework is rooted in the Quran's prohibition of games of chance and is elaborated upon in the traditions of the Prophet Muhammad. Specific examples of forbidden transactions include the sale of an unborn animal separate from its mother and the sale of milk while still in the animal's udder. These regulations were designed to eliminate ambiguity, ensure mutual consent, and uphold the ethical standards that underpin Islamic economic principles. (El-Gamal, 2001; Hasanuzzaman, 1991)

Islamic law places a strong emphasis on transparency and the removal of doubt in financial dealings. This is explicitly commanded in the Quran, which provides direct guidance on contractual obligations. A seminal verse in Surah Al-Baqarah (2:282) offers a detailed injunction on the necessity of written documentation. (A'yuni & Wahyudi, 2024)

This verse, considered the longest in the Quran, instructs believers to reduce their debt contracts to writing, witnessed by impartial parties. Its primary objective is to ensure evidential clarity, protect the rights of all parties involved, and prevent future disputes, amnesia, or denials of the terms agreed upon. While the verse specifically addresses debt, its underlying principles have been extended by Islamic jurists to form a general ethical and legal framework for commerce. It establishes written testimony as the preferred standard for validating agreements, moving beyond mere oral trust to create a system of verifiable accountability that upholds justice (*adl*) and fulfills the duty of faithful stewardship (*amanah*).

The IBF sector has challenges related to dispute resolution mechanisms. For IBF-related conflicts, arbitration should take precedence as the primary means of settling disputes in modern society. In the contemporary financial landscape, it is essential to establish fundamental principles that ensure financial intermediation supports the real economy rather than exploiting it. Islamic finance, rooted in principles of socio-economic justice and cooperation, has the potential to address this need. (Ghaffour, 2017)

It is also essential to be familiar with the applicable law in legal matters; several international councils have been established, including the Institute for Islamic Research at Al-Azhar University in Cairo, the Islamic Jurisprudence Institute of the Islamic League in Mecca, and the Fiqh Academy of the Organization of Islamic Cooperation (OIC) in Jeddah. The Fiqh Academy plays a crucial role in Islamic jurisprudence (Jackson-Moore, 2009), particularly when Sharia-compliance arguments are raised by the parties. If one of the parties raises a Sharia-compliance argument, the contract faces Sharia risk, which may lead to its invalidation because Sharia compliance must be respected and extends to any future conflict, even though the contract was validated by a Sharia supervisory board (Blanke, 2019). It is therefore important to ensure Sharia compliance in IBF operations. The IBF provides the legal mechanisms to ensure legal certainty in various Islamic financial products. Many challenges can be related to the interpretation and application of Sharia principles within the national legal framework.

A gap exists between the Islamic contract in a traditional context and the Islamic financial transaction as it is presented in modern finance. This is connected to the pressure to comply with the current complex financial system (Hamour et al., 2019). Since Islamic transactions often use Arabic terms alongside English terms, it is easy to localize the statutes of each transaction used in IBF. However, from the legal concept of each term, there are many similarities and differences between Islamic banking and conventional banking products and services. Furthermore, customers may be unknowingly influenced by the messaging and branding, which can impact their choices regarding Islamic financial products and potentially lead to financial decisions based on incomplete information.

2.2 Accounting, dispute resolution, and the global challenges of Islamic financial institutions

It is important to distinguish between the different environments where IsFIs operate: the first environment applies Sharia principles and thus IsFIs follow the governing laws such as in Iran and Sudan; the second environment is that in which Islam is predominant and where IsFIs are operating along with conventional financial institutions; and the third environment is predominantly non-Muslim, and this is made up of the Western countries (Karbhari et al., 2004).

Included among the main obstacles facing the development of IBF in Western countries are, first, the negative attitude towards the needs of IsFIs and then conceptual problems such as the lack of standardization, compliance with regulations and the local legislation, capital and liquidity requirements, tax discrimination, financial instruments, accounting practices, liquidity and risk



management, lack of qualified staff, marketing of the Islamic products and services, and the competition from the conventional financial sector. (Karbhari et al., 2004)

Several contracts exist in the IBF sector, and predetermined guidelines govern every single financial product or service (Bellalah & Masood, 2013). However, some research has investigated the legal and economic aspects of Islamic finance and found that although some Islamic financial contracts are structured according to Islamic law, their underlying economic substance is essentially the same as that of conventional financial contracts (Hamour et al., 2019).

2.3. Mitigating uncertainty through Sharia-compliant accounting

The spread of Islamic banking institutions around the world, along with the entrance of many conventional banks into the Islamic financial market, is a strong indication of the evolution of the IBF sector (Slimene et al., 2014). Islamic finance focuses its efforts on meeting the financial needs of the rapidly growing Muslim community, based on Islamic principles (Hassan, 2022). Among the primary factors contributing to the significant growth of the global Islamic economy are the support of a substantial Muslim population (Alshater et al., 2022; Zucchelli, 2022), increased adherence to Islamic values, and the rapid digital revolution (Muryanto, 2022). Islamic banks share the same principles as social banks, both of which are rooted in ethical finance and emphasize social and economic roles (Aboul-Dahab, 2023).

Muslim countries tend to implement conventional procedures instead of reinforcing the various existing processes in Islamic dispute resolution (Oseni & Ahmad, 2015). This can be explained by the significant influence that Western law has on the national laws of Muslim countries. In the context of commercial transactions, it is essential to recognize that the prohibition of *gharar* does not hinge on the mere existence of commodities; rather, it pertains to the seller's ability to fulfill the contractual obligation by delivering the sold object. If a contract involves potential *gharar*, making it impossible for the seller to fulfill their duties, the contract is deemed void, its validity being contingent on the extent of *gharar* present. Through the application of analogy (*qias*) in Islamic law, principles devised to eliminate ambiguity in sales contracts have been extended to derivatives, *istisnaa* contracts (contracts involving manufacturing), *salam* (sales entailing upfront payment for future delivery), and *ijarah* (lease contracts) within the framework of Islamic law (Asni et al., 2024). Despite the theoretical invalidity of such contracts due to the absence of items at the contract's inception, the application of these principles becomes relevant in specific scenarios (Jobst & Solé, 2012). The principles of avoiding *gharar* (excessive uncertainty) in Islamic commercial transactions have a direct bearing on accounting practices for Islamic finance. In the context of financial transactions, accounting in Islamic finance must adhere to these principles to ensure transparency, accuracy, and fairness.

In specific circumstances where economic and public interests (*maslaha*) take precedence, contracts that would normally be deemed invalid due to the absence of items at the contract's initiation may be considered valid. The prohibition of *gharar* in contracts under Islamic law is motivated by various factors, including the prevention of fraud. For instance, a contract involving the acquisition of someone else's property through the sale of inaccessible goods can lead to disputes and legal conflicts between the parties. Similarly, agreements that entail the formation of another actual or future contract can raise issues of uncertainty. According to Islamic legal principles, agreements must always result in immediate and definite obligations. *Gharar*, if present to a significant degree, can render a contract null and void. Alternatively, it may serve as a basis for indemnity and compensation, contingent upon its degree and extent. (El-Gamal, 2001)

For instance, scholars emphasize the importance of conducting thorough Sharia audits during the practical implementation of home financing agreements. This measure is essential to prevent the inclusion of *gharar* elements, which could potentially expose the bank to unforeseen reputation risks, during the execution of the agreement (Oseni et al., 2019). When recording financial transactions involving uncertain future outcomes, such as investments or sales contracts, IsFIs need to apply rigorous accounting standards that align with Sharia principles. The accounting methods employed must accurately reflect the level of uncertainty associated with the transactions, ensuring that stakeholders, including investors and clients, are provided with clear and reliable financial information.

Additionally, adherence to Sharia-compliant accounting practices helps IsFIs avoid disputes related to *gharar* (Oseni et al., 2019). Transparent and accountable accounting ensures that financial transactions are conducted with clarity, reducing the risk of ambiguity and uncertainty. By implementing robust accounting standards rooted in Islamic economic thought, IsFIs can uphold the ethical principles of fairness and justice, contributing to the overall stability and credibility of the Islamic finance industry.



2.4. Existing accounting principles in Islamic banking and finance

The criterion for evaluating the investment of any commercial activity is the value of accounting profits. Accounting profits contribute to reviewing the structure of contracts and predicting future financial flows. However, the most important role of accounting profits is to help stakeholders, especially investors, in making informed decisions about their future (Susilowati et al., 2023). Accounting profits consist of two components: 1) cash flow during a specific duration and 2) earnings accrual over a period of time. However, the latter is considered more important than the cash earnings themselves. This is due to the fact that managers often manipulate the company's profits and use accruals to produce profits that differ from the actual profits, enabling managers to meet the expectations of financial analysts and meet market expectations. Like any other industry, bank managers adjust the profits for the same purposes (Asl & Doudkanlou, 2022). Hassan and Raza Rabbani (2023) studied the impact of the AAOIFI governance disclosure on the performance of IsFIs. A thorough analysis of literature related to AAOIFI accounting standards was conducted, examining the diverse roles played by AAOIFI in setting standards for accounting, auditing, governance, and ethics in global IsFIs (Kouzo & Falikhatun, 2023). Their findings underscore the pivotal role of AAOIFI in shaping accounting standards for IsFIs, significantly contributing to the positive trajectory of the Islamic finance industry (Sembiring & Muhajir, 2024). AAOIFI's proactive involvement in issuing and developing accounting and auditing standards emerges as a key driver behind the enhanced financial performance of IsFIs. Furthermore, the study identifies notable research gaps, highlighting the imperative for future scholarly inquiries in these specific domains (Hassan & Raza Rabbani, 2023).

In Islamic finance, governance adheres to fundamental principles, including accountability, responsibility, trustworthiness, independence, competence, and confidentiality, as mandated by Sharia law (A'yuni & Wahyudi, 2024). These principles are pivotal in shaping corporate governance within the Islamic banking system and are foundational to the operation of entire Islamic financial centers. Consequently, Islamic banking is constrained to transactions deemed acceptable under Islamic law, engaging solely in ethical investing and moral purchasing practices. (Lanzara, 2021; Mergaliyev et al., 2019). Contrastingly, conventional literature has not explored the intersection of religion with economics and accounting in depth, despite the clear relevance of examining these connections. Historically, religion has played a significant role in shaping and upholding ethical standards, including truthfulness, fairness, and justice. When these principles are prevalent within a society, it becomes apparent that the community enjoys a heightened level of trust in both business transactions and financial matters. (Lewis, 2001)

2.5. Dispute resolution in Islamic banking and finance

Disputes in IBF law refer to disagreements or differences that may arise between parties involved in a financial transaction or contract that follows Islamic law. These disagreements can occur for numerous reasons, such as the misinterpretation of contract terms, breach of contract terms, fraud, or contraventions of other laws. Disputes may also arise due to non-compliance with Sharia principles.

Diverse types of legal disputes can arise in the IBF sector. Disputes may have a contractual aspect or be related to Sharia compliance. Disputes can arise when parties have different interpretations of the legal principles or when there are misunderstandings about the terms of the financial agreement. When a conflict arises in an Islamic financial transaction, it should be resolved in a manner consistent with the principles of Islamic finance, which are based on fairness, transparency, and the prevention of exploitation. Furthermore, clear and well-documented accounting practices can effectively elucidate the essence of disputes within the IBF. Disputes in business transactions have always been a part of the landscape. A contracting party might not be able or willing to respect its obligations. The other party may be disappointed with how the agreement is accomplished. There may even be a major conflict between the contracting parties regarding what was agreed upon during the contract's conclusion. Disputes are unavoidable, which renders the presence of dispute resolution procedures widespread. (Ghaffour, 2017)

Disputes may also involve regulatory disputes or have another aspect, such as a conflict with the constitutional law of a specific jurisdiction or the governing law, particularly in cross-border transactions. Dispute resolution can become relevant when there is disagreement over the interpretation or implementation of Sharia-compliant financial contracts, investment agreements, or other financial arrangements. However, the legal framework of dispute resolution in IBF law in most countries is insufficient and lacks harmonization (Al Rahahleh et al., 2019), especially in its application and interpretation of Islamic law (Oseni & Ahmad, 2015).



2.6. Gaps and challenges in current research

Despite the Islamic finance industry's significant growth and maturation, persistent regulatory and consumer protection challenges reveal critical vulnerabilities even within established jurisdictions such as Malaysia, a leading hub in Islamic banking and finance. Notably, issues including non-transparent contractual terms, misleading product disclosures, and inadequate consumer safeguards continue to undermine market integrity and trust. Although regulatory bodies such as Bank Negara Malaysia (BNM) have introduced extensive measures, including standards, guidelines, and market conduct initiatives, to strengthen governance and empower consumers, a discernible implementation gap remains between policy intent and practical outcomes.

However, the central bank of Malaysia, BNM, continuously implements market conduct and consumer empowerment initiatives to protect consumers from these practices by issuing standards and guidelines that enhance governance, fairness, and transparency (Oseni, Hassan, et al., 2019). The research gap resides in the insufficient alignment between high-level regulatory frameworks and their effective translation into enforceable, day-to-day operational practices. This disconnect is particularly evident in the persistent lack of standardized legal documentation, inconsistent Shari'ah compliance verification, and divergent interpretations of regulatory requirements across institutions. As a result, despite robust oversight, structural ambiguities persist, perpetuating consumer risks, impeding dispute resolution mechanisms, and ultimately compromising legal certainty and equitable outcomes for all stakeholders in IBF transactions.

Islamic banks generate profits through Sharia-compliant financing methods such as *mudarabah* (profit-sharing), *murabaha* (cost-plus financing), rather than conventional interest-based transactions. A crucial question involves how these institutions measure and report their financial performance in accordance with appropriate accounting standards.

However, a significant challenge emerges in the accounting and reporting of these transactions. Often, a gap exists between the legal form of Islamic financial contracts and their economic substance from a Sharia perspective. This divergence creates complications in financial reporting, as the accounting treatment may not fully capture the true nature of the transactions or their compliance with Islamic principles (Sharairi et al., 2023). The identification of this "substance gap" is particularly important for accounting professionals and standard-setters, as it affects how Islamic banks' financial results are measured, presented, and understood by stakeholders. This issue spans the entire process from initial contract design to final financial reporting outcomes (Hamour et al., 2019). The operational efficacy of financial institutions is contingent upon the integration of contemporary management practices, robust supervisory mechanisms, and advanced risk-calculation models, complemented by sophisticated accounting frameworks. Furthermore, Islamic finance incorporates profit and risk-sharing arrangements between lenders and borrowers, predicated on pre-agreed ratios. This structure may incentivize borrowers to pursue higher-risk ventures, thereby elevating the risk profile of banks' financing portfolios. Consequently, financial institutions have adopted more stringent credit rationing policies to mitigate associated exposures (Masood & Bellalah, 2013).

3. Methodology

This study employs a mixed-method research design, integrating a systematic literature review with qualitative legal analysis to investigate the interplay between accounting practices and dispute resolution within IBF law (Kadi, 2022). A central aim of this research is to determine whether a direct and consequential link between these two domains is substantiated within existing scholarly discourse.

The methodology entails a comprehensive examination of academic literature, legal sources, including Sharia law, national regulations, international standards, and judicial rulings, as well as industry practices. Through this analysis, the study aims to identify prevalent trends, challenges, and the specific role of accounting standards in resolving financial disputes in IBF. Furthermore, the research assesses relevant regulatory frameworks to evaluate their alignment with accounting principles and their facilitative or constraining role in dispute resolution processes. By synthesizing findings from this multi-faceted evidence base, the study ultimately aims to propose recommendations for enhancing accounting-informed dispute resolution mechanisms, thereby contributing to the sector's stability and development.

3.1 Materials

The research methodology involves a thorough selection of both primary and secondary sources to ensure a comprehensive analysis of accounting practices and dispute resolution within IBF. Primary sources include regulations specific to Islamic



finance, Sharia principles, and guidelines issued by Islamic scholars and institutions. Official reports and publications from regulatory bodies, financial statements, and annual reports of IsFIs constitute essential primary materials. Additionally, court judgments and legal precedents pertinent to IBF are incorporated for a nuanced analysis.

Secondary sources complement the primary data. Academic research papers, scholarly articles, books, and book chapters on IBF provide significant findings. Industry reports, conference proceedings, seminar papers, and expert critiques contribute to the secondary data. Utilizing both primary and secondary sources ensures the accuracy, reliability, and depth of the analysis.

3.2 Methods

This study employed a systematic literature review to map the scholarly discourse at the intersection of accounting, dispute resolution, and Islamic finance. The data collection protocol was designed to be iterative and precise. Initially, a broad search was conducted using the keywords "Islamic banking and finance" AND ("legal" OR "law") to capture the wider legal and regulatory landscape. This initial dataset was then refined using the keywords "accounting" AND "dispute resolution" to specifically target literature addressing the accounting-related aspects of financial conflicts.

The retrieved corpus was subsequently subjected to a thematic and bibliometric analysis. Key trends were identified by analyzing publication frequencies, prominent journals, and the geographical affiliation of authors. This analytical approach served a dual purpose: first, to identify the core academic outlets and intellectual communities engaged with this niche field; and second, to perform a comparative geographical analysis. The objective of this comparison was to evaluate whether the regions demonstrating the strongest scholarly interest in accounting and dispute resolution (as measured by publication output) corresponded with jurisdictions known for their advanced and well-established dispute resolution frameworks in finance, such as Malaysia, the UK, and the GCC states. This comparison offers critical insight into whether academic research aligns with practical, jurisdictional excellence in handling Islamic finance disputes.

Scholarly Output, as evaluated through SciVal, serves as a valuable metric indicating the productivity of a particular academic or research entity. It quantifies the number of publications attributed to this entity within the Scopus database.

3.4 Limitations

The rigorous methodology used ensures a thorough exploration of accounting practices and their role in dispute resolution within the dynamic landscape of IBF. However, the study acknowledges the potential variation in interpretations of Sharia principles among scholars and institutions, which may lead to diverse perspectives on the legal aspects of IBF. The research aims to provide a balanced analysis considering these interpretations. Additionally, while Scopus is widely used, it may not encompass all relevant publications due to language, date, access restrictions, or biases, which could potentially impact the general representation of the results.

4. Results

In conventional finance, the Basel Committee on Banking Supervision (BIS) has a significant role in setting global banking standards and promoting the stability and soundness of the international banking system (*The Basel Committee Charter*, 2018). The BIS plays key roles in responsible innovation and safe competitive financial services (BIS, 2021; Paltrinieri et al., 2021). The committee has developed several key international regulatory frameworks, including Basel I, II and III, that provide guidance to banking supervisors on best practices to enhance corporate governance related to financial institutions (BIS, 2021; *The Basel Committee Charter*, 2018). Correspondingly, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Islamic Financial Services Board (IFSB), Bank Negara Malaysia (BNM), and other standard-setting bodies delivered standards and guidelines to promote governance in the global Islamic finance industry and emphasize the pivotal role of Sharia principles in establishing this governance (AAOIFI, n.d.; Sharairi et al., 2023).

There have been high-profile cases in Islamic banking and financial law that have had a significant impact on the industry. They highlight the complexities and challenges involved in applying traditional legal frameworks to Islamic financial contracts, and demonstrate the importance of developing a robust legal and regulatory framework to support the industry's growth. In modern international contracts, contracting parties must always specify the governing law. (Hasan & Asutay, 2011)

The prohibitions within Islamic finance, which aim to foster justice and fairness, address potential future disagreements. Scholars highlight the importance of acknowledging ignorance and risks that can lead to conflicts, especially in the era of



Fintech and digital currencies, where the concept of *gharar*, or excessive risk, has gained significance. The evolving landscape requires IBF regulatory bodies to enhance the Sharia compliance of financial contracts, products, and services. This imperative is not just about justice but also about ensuring the reliability of the IBF sector while preventing fraud and safeguarding its reputation from potential damage (Suryanto & Ridwansyah, 2016).

There are two distinct categories of human resources within IsFIs: Sharia specialists rooted in traditional Islamic teachings but lacking modern financial expertise, and bankers proficient in financial practices but with limited understanding of Islamic law (Akbar et al., 2023). This dichotomy underscores the challenges existing in the IBF sector. However, these challenges do not indicate a bleak future for IsFIs. On the contrary, they serve as crucial elements guiding the implementation of solutions for operational enhancement. The findings emphasize the urgent need for regulators, policymakers, and practitioners to collaborate, ensuring the seamless functioning of IsFIs in the future. This collaboration is crucial to addressing existing challenges and laying a robust foundation for the industry's growth.

Many reported cases in Islamic finance disputes have been related to debt-based financing methods such as *murabaha*, BBA, and *bay al-Inah*. This trend underscores the dominance of debt-based financial products and services in the Islamic finance sector. Islamic financial products involved in these cases were relatively simple and straightforward, with complexities emerging only in cases like *East Cameron Partners*, which involved *sukuk*-related issues. Considering the innovative financial engineering and the growing issuance of *sukuk* in diverse structures, including cross-border transactions across jurisdictions, future Islamic finance disputes are anticipated to become more intricate. Potential challenges may arise due to severe criticisms of existing *sukuk* structures, which could lead to legal disputes (Hasan & Asutay, 2011). The complexity of IBF cases is expected to increase due to innovative financial engineering and the development of diverse financial products, including cross-border transactions involving different jurisdictions. The potential legal challenges may stem from criticisms of existing Islamic financial contracts, which could impact public trust in their Islamic validity and compliance with Sharia principles. Several key dispute resolution mechanisms are employed to address conflicts and disagreements. Each mechanism has a specific objective tailored to the dispute. These mechanisms play a crucial role in ensuring the integrity and stability of the IBF sector (Dahlan, 2018).

The increasing sophistication of financial engineering and the diversification of Sharia-compliant financial products, particularly within cross-border transactions involving multiple legal jurisdictions, are anticipated to elevate the juridical complexity of disputes within the IBF sector. This trajectory may give rise to significant legal challenges, particularly stemming from doctrinal criticisms regarding the Sharia compliance of contemporary financial contracts, thereby potentially eroding public trust in their religious validity. Against this backdrop of escalating juridical and doctrinal challenges, this study sought to investigate whether accounting frameworks, through their capacity to enhance transparency, standardize documentation, and provide auditable evidence, could serve as a stabilizing mechanism within Islamic finance dispute resolution. The research specifically examined the potential for accounting practices to mitigate ambiguities in contractual interpretation and reinforce the evidential basis for resolving Sharia-related disputes.

4.1 Absence of a direct link in the literature between dispute-resolution mechanisms and accounting practices

To establish a connection between accounting and dispute resolution in the context of Islamic finance, an extensive review of existing literature on dispute resolution and accounting was conducted to determine whether accounting practices have a tangible impact on dispute resolution. The outcome revealed a lack of direct connection between dispute-resolution mechanisms and accounting practices. Despite the fundamental role that accounting plays in shaping financial narratives and providing essential data for legal proceedings, the existing literature does not explicitly establish a direct link between accounting methodologies and the resolution of disputes.

As accounting practices are fundamental to ensuring financial transparency and accountability, understanding how these practices intersect with dispute resolution mechanisms can enhance the integrity of financial transactions within the Islamic finance industry (Saadah, 2022). By linking accounting practices with dispute resolution, a more robust framework for accountability can be developed. In legal proceedings, accurate financial information is paramount; if accounting practices could influence the resolution of disputes, legal strategies could be tailored accordingly. Knowledge of how financial records impact dispute outcomes can guide legal professionals in presenting arguments and evidence, leading to fair and more informed decisions (Oseni et al., 2016).



4.2. The intersection of accounting practices, IBF principles and standards, legal frameworks, governance structures, and dispute resolution

The resolution of disputes within the IBF sector frequently centres on financial discrepancies and compliance with established accounting standards. Consequently, rigorous accounting practices, robust auditing mechanisms, and adherence to recognised accounting frameworks, such as those issued by the AAOIFI, are indispensable for the equitable and efficient settlement of such disputes. Furthermore, disputes within Islamic finance are frequently characterised by divergent interpretations of Sharia principles and their application within commercial contracts. A nuanced comprehension of Islamic legal doctrines (*fiqh al-muamalat*) is therefore fundamental to adjudicating conflicts pertaining to religious permissibility (*halal*) and ethical compliance in financial transactions. The resolution of such disputes necessitates recourse to classical juridical sources and contemporary *fatawa* to ensure alignment with the objectives of Islamic law (*maqasid al-Sharia*), thereby upholding the theological integrity of IBF institutions. Disputes arising within IsFIs necessitate resolution mechanisms grounded in a specialized understanding of Islamic banking principles and the distinct nature of Sharia-compliant financial intermediation. The unique contractual forms and profit-sharing arrangements inherent to these institutions mandate expertise that integrates conventional financial acumen with juristic comprehension of *fiqh al-muamalat* to ensure equitable and religiously valid outcomes (Astuti & Raharja, 2024). Disputes within Islamic finance often arise from corporate governance challenges, particularly regarding the oversight exercised by Sharia supervisory boards. The resolution of such conflicts necessitates a rigorous understanding of governance architectures, including the delineation of responsibilities between conventional management structures and religious supervisory entities. Effective adjudication hinges on interpreting institutional mandates, fiduciary duties, and compliance mechanisms specific to IsFIs, ensuring alignment with both corporate law and Sharia principles. (Yusof et al., 2024)

The key phrase relevance, as shown in Table 1, indicates a strong intersection between accounting practices, Islamic finance principles, legal frameworks, and governance structures within the IBF, all of which are crucial components in resolving disputes.

These keywords represent crucial aspects of the IBF sector. Disputes in this context can encompass financial, ethical, legal, and governance-related issues. Therefore, expertise in accounting, adherence to Islamic principles, knowledge of Sharia law, understanding banking operations, and awareness of corporate governance structures are all crucial in preventing or effectively resolving potential disputes within IBF.

Table 1. Key phrase relevance by scholarly output from 2018-2023

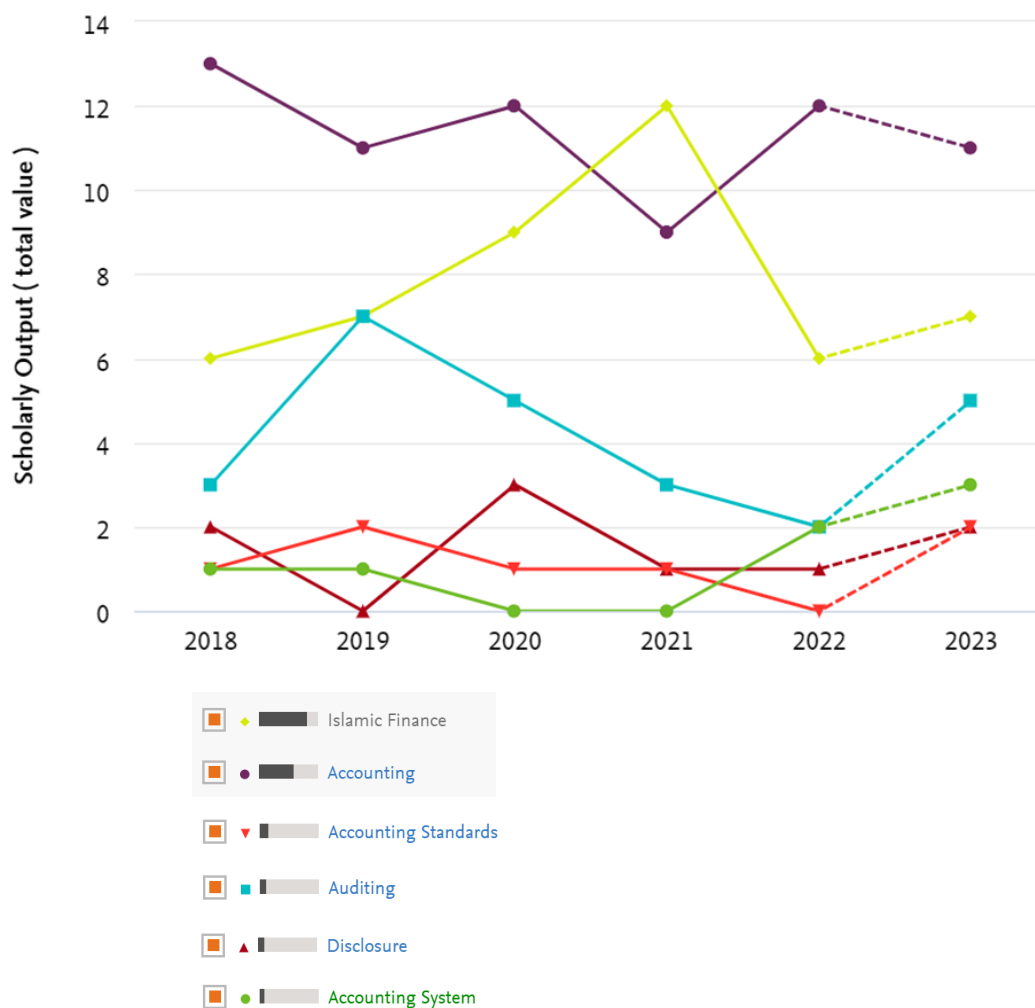
Key phrase	2018	2019	2020	2021	2022	2023	2018–2023
Accounting	13	11	12	9	12	11	68
Islamic	10	10	9	13	13	13	68
Islamic Financial Institutions	7	10	10	8	5	9	49
Islamic Finance	6	7	9	12	6	7	47
Finance	5	6	9	4	9	9	42
Auditing	3	7	5	3	2	5	25
Banking	4	3	2	5	2	3	19
Islamic Banking	5	2	3	2	3	2	17
Boards	1	2	3	2	3	4	15
Sharia	1	3	1	2	2	6	15
Corporate Governance	1	1	3	1	3	2	11



Key phrase	2018	2019	2020	2021	2022	2023	2018–2023
Islamic Law	3	3	1	0	1	0	8
Accounting Standards	1	2	1	1	0	2	7
Accounting System	1	1	0	0	2	3	7
Supervisory Board	0	1	3	1	1	1	7
Bibliometric Analysis	0	0	1	3	0	1	5
Profitability	1	0	1	2	0	1	5
Audit	1	1	1	0	0	0	3

Source: Author elaboration using SciVal.

Figure 1. Accounting key phrase relevance by scholarly output from 2018-2023



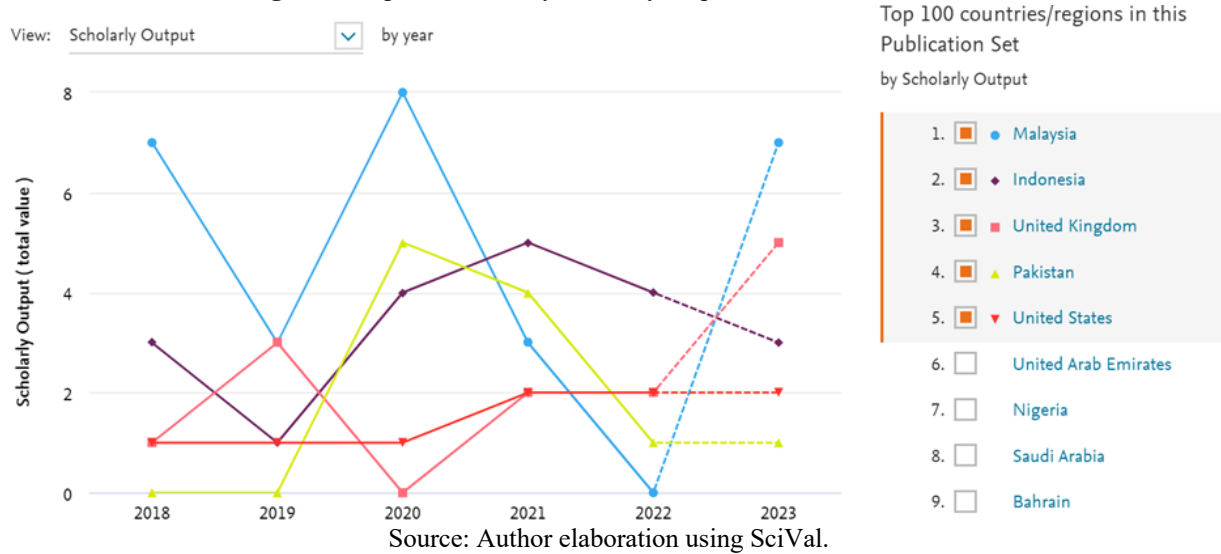
Source: Author elaboration using SciVal.

The relevance of accounting key phrases in scholarly output from 2018-2023 reveals interesting trends (Figure 1). While the topic of auditing peaked in relevance in 2019, indicating a significant focus within academic research, the key phrases “accounting standards,” “disclosure,” and “accounting system” have garnered increased attention in the period 2022-2023. This shift in focus suggests a growing interest in specific aspects of accounting practices, indicating a potential evolution in research priorities in the field of accounting for Islamic finance (Kulikova & Mukhametzhanov, 2024).

4.3. Global Centers of Islamic Finance Research: Scholarly Leadership in Accounting and Dispute Resolution

The robust scholarly output from countries such as Malaysia, Indonesia, the United Kingdom, Pakistan and the United States underscores the significant role of research in shaping the landscape of Islamic finance, particularly in the fields of accounting and dispute resolution. These nations, recognized as leaders in Islamic finance scholarship, have consistently contributed to the academic discourse, illuminating the intricate relationship between accounting practices and effective dispute resolution mechanisms (Ilham Akbar & Mukhlisin, 2024).

Figure 2. Top 5 countries by scholarly output from 2018 to 2023



This pattern of prolific research activity strongly suggests that advancements in accounting methodologies have a direct influence on the development of dispute resolution mechanisms within Islamic finance. The continuous scholarly endeavors in these countries serve as catalysts, fostering innovations and best practices that enhance the legal certainty of the IBF sector. By bridging the gap between theoretical research and practical application, these active countries set a precedent for other jurisdictions, emphasizing the mutual relationship between accounting accuracy, robust dispute resolution frameworks, and the overall stability and growth of the IBF sector (Ismail et al., 2025). As research continues to flourish in these regions, the global Islamic finance community can anticipate a future characterized by heightened legal certainty, transparency, and trust, essential elements for the sustainable evolution of the industry (Figures 2, 3).

Figure 3. Visualization of the most active countries/regions by scholarly output



Source: Author elaboration using SciVal.

Table 2. Most active institutions with the top 5 by scholarly output on accounting for Islamic finance

Rank	Source Title	Type	Scholarly Output	Years Analyzed
1	Journal of Islamic Accounting and Business Research	Journal	12	2018–2022
2	Islamic Accounting and Finance: A Handbook	Book	3	2018–2022
3	Academy of Accounting and Financial Studies Journal	Journal	2	2020–2023
4	Critical Perspectives on Accounting	Journal	2	2018–2020
5	Library Philosophy and Practice	Journal	2	2019–2022

Source: Author elaboration using SciVal.

The leading Journal in the field of accounting for Islamic finance is the *Journal of Islamic Accounting and Business Research*, with 12 articles. It is followed by three publications on accounting: *Islamic Accounting and Finance: A Handbook*, published in 2023. The third position is shared equally by the *Academy of Accounting and Financial Studies Journal*, *Critical Perspectives on Accounting*, and *Library Philosophy and Practice* (table 2). The findings concerning the most active journal in the field of Islamic finance and in accounting is illustrated in Alshater et al. (2021)Alshater et al. (2021), and also by Brescia, Sa’ad, Alhabshi, Hassan, and Lanzalonga (2021); both papers found that the *Journal of Islamic Accounting and Business Research* serves as a vibrant platform for advancing accounting and business expertise rooted in Islamic principles. Its aim is to positively impact societies globally, fostering their well-being.

5. Discussion

The findings, prominently illustrated in Figures 1-3 and Tables 1-2, highlight the robustness of accounting research in Malaysia, Indonesia, and the UK. These results provide compelling evidence of the high level of scholarly activity in these countries, underscoring their pivotal roles in shaping the global landscape of accounting awareness.

Moreover, these results hold deeper implications, particularly concerning the development of case law in IBF. The correlation between the intensive research outputs in accounting and the evolution of dispute case law in IBF in these countries is obvious.



The proactive research efforts in Malaysia, Indonesia, and the UK have not only contributed significantly to the academic understanding of accounting principles but have also laid the foundation for the legal frameworks governing IBF practices. The effective resolution of disputes in Islamic banking and finance law is paramount for the industry's growth and sustainability. The efficient management of disputes is crucial in maintaining the trust and confidence of stakeholders. Initially, we may face different types of disputes in IBF law: first, the disputes may have a contractual aspect; second, the disputes can be related to Sharia compliance; third, they can be regulatory disputes; and last but not least they can have another aspect such as a conflict with the constitutional law of a specific jurisdiction or a conflict of governing law especially in cross-border transactions. Moreover, the conflict may be connected with other national regulations, such as tax or consumer law, and so forth. In this context, accounting plays a pivotal role, as it provides the financial and evidentiary pillar for dispute resolution processes.

In addition to their pivotal role in shaping the financial performance of institutions, accounting practices also hold immense significance in the context of dispute resolution within European financial institutions.

5.1. *The development of Islamic finance dispute resolution in a non-Muslim jurisdiction: The United Kingdom's experience*

The United Kingdom has the most advanced Islamic financial sector in Europe (di Mauro et al., 2013) with six Islamic banks providing diverse Islamic financial products (Jirvaj, 2022), especially with the growth of the *sukuk* market in 2017 (Siddiqui & Rizvi, 2022) and the number of Muslims living in Britain, which is about 3% of the population (Bellalah & Masood, 2013). Regarding Islamic financial technology regulations in the United Kingdom, it is interesting to point out that the top ten of the Global Islamic Fintech (GIFT) index scores are countries with a majority Muslim population or that adhere to the OIC, except for the United Kingdom, which is classified fifth in the GIFT index scores. Thus, a wide range of factors have contributed to the rapid growth of FinTech in the UK. Among these factors are the active Islamic FinTech community, the presence of many Islamic FinTech companies, the increasing FinTech sector, and a ready-made pool of talent in advanced Islamic financial and technology sectors, along with regulatory support (Adebesin, 2024; Muryanto, 2022).

In some of the most significant international legal cases in IBF, the choice of jurisdiction was Western courts, i.e., in the UK and in New York (Blanke, 2019). In *Beximco Pharmaceuticals Ltd & others v. Shamil Bank of Bahrain EC* [2004], it was held that English law is the applicable law; in *Islamic Investment Company of the Gulf (Bahamas) Ltd v. Symphony Gems NV and others* [2002] (Hasan & Asutay, 2011), the English court ruled that even if delivery did not happen, this was because Symphony Gems did not oversee the necessary measures (Jackson-Moore, 2009). The court's ruling in most of the cases showed that conventional courts were not capable of dealing with IBF disputes effectively.

Even though the development of IBF in Western countries has been slower compared to its development in Islamic countries, IsFIs have managed to exist in the West for more than 40 years. The establishment of IsFIs in non-Muslim countries was a natural process due to globalization and the growth of the Muslim community. (Amuda & Al-Nasser, 2024)

As a result, there has been a notable increase in IBF cases, reflecting both the opportunities and challenges faced by IsFIs operating within the UK legal framework. The Dana Gas case, *Dana Gas PJSC v. Dana Gas Sukuk Ltd & Ors* [2017] EWHC 2928, was an interesting legal dispute involving the UAE-based energy company and its *sukuk* holders. The case was considered by the UK's High Court and the UAE's Supreme Court. The Dana Gas company announced in 2017 that its USD 700 million *sukuk* was no longer Sharia-compliant and therefore unenforceable, as the scholarly consensus was said to have changed since its issuance in 2003 (Ghaffour, 2017). The Dana Gas case sparked discussions within the Islamic finance industry about the importance of adopting more robust, standardized, and transparent practices, precise legal documentation, clear dispute resolution clauses, and addressing potential conflicts between Sharia principles and legal systems (Ercanbrack, 2019).

5.2. *Malaysia as a legal pioneer: The development of Islamic banking case law in a dual-system jurisdiction*

Malaysia remains one of the prominent centers for the IBF industry. The legal foundation for Islamic finance in Malaysia has undergone numerous improvements through the years to serve the growing industry. The Sharia Advisory Councils of the Securities Commission and Bank Negara Malaysia (BNM) were established to promote Sharia legal certainty. The Central Bank of Malaysia Act 2009 officially established a dual system of finance in the state to facilitate the gradual improvement of the Islamic financial system, aiming to make it a competitive sector with its conventional counterpart. The Islamic Financial Services Act 2013 revised the earlier laws on Islamic banking and *takaful* (Islamic insurance), intending to improve the



standards of Islamic finance law in Malaysia. Currently, Islamic finance in Malaysia is globally recognized for its thorough legal framework (Ghaffour, 2017).

Malaysia has established a robust legal framework for Islamic finance, enabling the effective and unified implementation of Sharia principles within Malaysian law. However, new challenges need the promotion of a continuous certainty. This necessitates excellence at both the institutional and judicial levels. Judges and arbitrators must ensure that disputes are resolved by applying the law, rather than exercising absolute discretion. The courts also ensure that these laws are clear and understandable. For Islamic finance, the Sharia Advisory Councils (SACs) of Bank Negara Malaysia and the Securities Commission have performed a complementary function by providing the courts with Sharia certainty. This task does not substitute for the function of the judiciary in maintaining legal certainty. Instead, the SACs helped the courts by providing consistency and regularity in the interpretation of Sharia rules relevant to Islamic finance (Ercanbrack, 2019).

The involvement of Sharia Advisory Committees (SACs) serves a pivotal role as central authorities responsible for delivering definitive Sharia rulings. This function is integral to guiding the application of these rulings to the specific nuances of individual cases, offering a level of certainty crucial for the formulation of final judgments by the courts. A systematic framework has been established to facilitate legal professionals, including judges, arbitrators, and entities within the Islamic finance sector, in seeking guidance from SACs on matters necessitating the interpretation of Islamic law. Issues falling outside the jurisdiction of SACs are reserved for adjudication within the formal court system. The composition of SACs, notably comprised of former judges, ensures their effective operation within the parameters of their expertise. To enhance procedural legitimacy, considerable efforts have been dedicated to ensuring meticulous documentation and public accessibility of the reasoning behind SAC decisions. Beyond the purview of the courts and SACs, an additional crucial institutional component consists of financial regulators, signifying a comprehensive ecosystem of regulatory oversight in Islamic finance (Ghaffour, 2017).

Revisiting the discourse on potential disagreements, scholars commonly cite ignorance and risk as sources of conflicts that lead to the nullification of various contracts. Legal disputes may still arise in contractual agreements that lack specific provisions, such as in cases involving concealed defects, damages, or faulty commodities. In such scenarios, justice is administered by resolving the dispute through compensation mechanisms devised in accordance with their respective schools of jurisprudence (El-Gamal, 2001).

5.3 Legal precedents as a determinant of evolving accounting practices

According to Hasan & Asutay (2011), one of the main ambiguous areas in IBF is getting an appropriate legal regime and framework. In Islam, it is extremely important to uphold justice; therefore, in the case of disputes, it is essential to settle and resolve any litigation. Regarding the disputes in the field of IBF, it is essential to understand which judge is qualified to resolve such disputes: the civil court or the Islamic court, especially in a global context (Rasyid, 2013). In reality, several Islamic financial dealings are ruled by English law (Hasan & Asutay, 2011). Another issue is whether it is preferable to opt for the court or for alternative solutions, such as negotiation, mediation, an ombudsman, or arbitration, before resorting to the court as a last resort. Additionally, the judge needs to be competent in the field of IBF, a thing that is not always feasible (Rasyid, 2013). Additionally, a Sharia legal issue can be resolved by referring it to different schools of jurisprudence, all of which offer legitimate solutions from a Sharia perspective (Ghaffour, 2017). Moreover, the majority of legal cases in IBF opt for the argument of non-compliance with the contract under Sharia rules when one of the parties or the defendant fails to fulfill their obligations under the agreement or simply fails to pay (Hasan & Asutay, 2011). Additionally, there is a noticeable influence in the Islamic finance sector stemming from the globalization of business law practices, global investment banks, accounting companies, and legal corporations. (Bälz, 2008)

Over the last few decades, several Islamic finance law cases have been brought before courts in various legal jurisdictions. This has led to uncertainties among various market stakeholders concerning the security of their investments (Hasan & Asutay, 2011).

In Islamic finance, dispute resolution is getting more consideration. The standard common law legal system is the most prevalent in the world. A significant volume of commercial disputes is resolved by the common law legal system. Accessible, clear, and predictable laws guarantee a secure environment that enables sustained business development. Dispute resolution within a comprehensive legal system will foster the evolution of the law. For example, significant decisions can influence policies, improve risk management practices, and lead to better outcomes for businesses. (Ghaffour, 2017; Hassan et al., 2019) Legal cases concerning the sale and purchase contract (Bai` Inah) emphasized numerous significant points to consider in the context of IBF dispute settlements. The court decisions guided IsFIs to develop improvements concerning the legal



documentation for Bai` Inah contracts themselves (Ghaffour, 2017). It is essential to recognize the key issues in dispute settlements within Islamic banking and finance. The objective of this research is to get a thorough understanding of the foundational principles that underpin dispute resolution in IBF.

The task of maintaining legal certainty in Islamic finance is challenging, first because Sharia principles and requirements must be integrated into national law from its religious foundations; additionally, these principles, which derive from the early centuries of Islam, need to be practical within the framework of modern finance. (Ghaffour, 2017)

The legal and regulatory certainty provided in Malaysia has made a significant contribution to the development of a sound and continuously evolving Islamic financial system and to its continued status as a prominent Islamic financial hub; legal certainty should lead to effective dispute resolution. Sharia rules need to be incorporated into the regulations and applied to modern settings. These issues are amplified by the rapidly transforming world. The prospect for the legal order is to apply standards of Islamic law to innovative products while remaining transparent. This implies flexibility with modern solutions while still being loyal to the principles of Islamic law. Certainty regarding Sharia rulings relevant to a specific Islamic financial service is crucial. Legal certainty is just as crucial as the legal enforceability of obligations in the event of non-compliance with Sharia rules by an Islamic financial product. Ambiguity in the legal framework can lead investors to doubt such financial products and consider them high-risk instruments. This also has a significant impact on the entire Islamic finance market. (Ghaffour, 2017)

On the other side, according to Hassanein and Mostafa (2022), even though the academic literature on IBF is abundant and research in this field has received significant commitment during the last decade, it was argued that the evolution is still in progress; accordingly, previous studies in the field have produced intensive literature principally on the performance of IBF. Earlier literature has also focused on examining the corporate governance systems of Islamic banks, as well as the structures of *sukuk* markets and the *takaful* system. In addition, the literature has also investigated some ethical problems related to IBF (Hassanein & Mostafa, 2022; Rifas & Minaz, 2025). Thus, many issues, such as IBF case law, remain undeveloped. Literature on accounting for Islamic finance and its intersection with dispute resolutions is very scarce. This is due to the lack of published cases, despite Malaysia's significant role in the development of the IBF legal framework.

The findings also noted that accounting was linked to the calculation of *zakat*, an important element in the IBF industry; while this was not the primary aim of this research, it emerged as a significant point of interest.

This observation highlights a significant connection between conventional accounting frameworks and the specific religious obligation of *zakat* computation. The identification of this link, though incidental to the study's primary objectives, constitutes a significant emergent finding. It underscores the pervasive role of accounting as a foundational tool that extends beyond mere financial reporting into the realm of religious compliance and ethical practice within Islamic economics (Ibrahim et al., 2024). Such findings highlight the interdisciplinary nature of the field and suggest fertile ground for future dedicated research. It posits that accounting systems are not agnostic but can be directly engaged in fulfilling the spiritual and social mandates that reinforce the Islamic finance industry.

5.4. Accounting as a governance mechanism: Translating Islamic principles into financial practices

The study noted a recurring thematic link between accounting and *zakat* computation within the literature. Although peripheral to the core focus of this study, this relationship underscores the broader relevance of accounting in fulfilling religious and ethical obligations within Islamic finance.

Furthermore, analyzing the intersection between accounting and dispute resolution in Islamic finance has provided significant findings. By analyzing the existing literature and examining key trends and phrases, the study highlighted several crucial points: accounting, by nature, involves meticulous record-keeping, documentation, and financial reporting. It captures the essence of all financial transactions, from profit and loss reports to balance sheets. This financial data is a fundamental source when disputes arise in the IBF sector. One of the primary areas where accounting plays a crucial role in dispute resolution is the accurate representation and assessment of financial transactions, ensuring they comply with Shariah principles. Regardless of the dispute resolution mechanism chosen, whether it involves profit-sharing ratios, the validity of specific transactions, or the determination of financial misconduct, accounting data forms the basis for building a case, defending a position, or reaching an equitable solution.

Additionally, accounting serves as a primary mechanism to mitigate elements such as *riba* and *gharar* through two core functions: measurement and disclosure, which ensure transparency by quantifying and clearly reporting transactional risks and obligations, where Sharia-compliance auditing verifies that operations adhere to Islamic principles, thereby reducing ambiguity,



preventing disputes, and strengthening institutional credibility. In essence, accounting translates the religious prohibition of *riba* and *gharar* into enforceable financial governance.

5.5. Recommendations and future directions

Salami, Tanrivermiş, and Abubakar (2022) present insightful solutions to enhance the relevance of Islamic finance research for various stakeholders, including businesses and the public. One of their key recommendations is that researchers in Islamic finance, especially those utilizing accounting ratios in their studies, should consider the specific International Financial Reporting Standards (IFRS) regulations applicable in the jurisdiction where the research is conducted. Neglecting these regulations, especially in cross-border studies, could potentially impact the outcomes. These suggestions are equally pertinent in the field of legal research, where scholars often rely on economic findings to devise sustainable solutions and aid decision-making processes. Legal experts, who may not possess a strong background in econometric modeling research methods, prioritize economic outcomes to inform their analyses (Salami et al., 2022). In the context of legal research, these recommendations hold significance; in other words, legal scholars typically lack extensive expertise in economic modeling and accounting (Kamla & Haque, 2019). Their emphasis lies in deriving meaningful economic outcomes to discover enduring solutions and interventions, thus helping decision-making processes.

As the domestic and global Islamic finance sectors expand, there is a corresponding need to enhance the skilled workforce. Professionals engaged in structuring financial products, such as lawyers and scholars from Sharia supervisory boards, play a crucial role by offering significant insights to clients about Sharia compliance and legal regulations (Nomran & Haron, 2019). This expertise aids in the creation and refinement of product documentation. Legal experts well-versed in both accounting and Sharia requirements can present stronger arguments in legal proceedings. Certification initiatives and specialized seminars are essential in providing legal professionals with a comprehensive understanding of both practical Sharia principles and fundamental legal expertise (Ghaffour, 2017).

The development of specialized accounting standards for financial reporting is crucial due to the difficulties faced by IsFIs in aligning with established accounting frameworks such as the International Financial Reporting Standards (IFRS) or the Generally Accepted Accounting Principles (GAAP). These conventional standards tailored for conventional financial institutions are frequently inadequate in addressing the complexities of Islamic financial transactions.

Several studies highlighted the importance of regulators establishing standards akin to those set by Bank Negara Malaysia, especially as the market explores innovative approaches (Qimyatussa'adah & Abdul Sayeed, 2024). Such standards would serve as a crucial resource for IsFIs and legal experts, aiding in the structuring of Islamic finance products and the development of essential legal documentation. To achieve a high level of legal certainty, it is vital to foster individual excellence among legal and Islamic finance professionals (Ghaffour, 2017). In the study by Rehman et al. (2020), it was found that while most Islamic banks in Pakistan demonstrate important levels of composite Corporate Social Responsibility (CSR) practices, an imbalance exists in the disclosure of specific dimensions within these practices. Financial obligations often take precedence over other dimensions, resulting in a lack of comprehensive and systematic reporting. The scattered information in annual reports poses accessibility challenges for potential customers, impacting their perception of the banks' social, ethical, and moral responsibility, which are crucial aspects in considering their adherence to Sharia principles (Zafar, 2024).

To address these issues, several studies propose a unified index that merges the standards of the AAOIFI and the Global Reporting Initiative (GRI). This new index aims to standardize CSR disclosure in Islamic banks, aligning with internationally accepted standards within the Sharia framework. Mandating this index could enhance CSR disclosure, potentially addressing the current challenges of voluntary compliance (Rehman et al., 2020; Zafar, 2024).

Similarly, the relationship between robust accounting research and the maturation of dispute case law in IBF highlights the symbiotic nature of academic scholarship and legal developments. The rigorous exploration of accounting standards, financial practices, and reporting methodologies provides a solid foundation upon which legal experts can construct relevant dispute resolution frameworks. As accounting research continues to develop, it undoubtedly catalyzes the refinement and sophistication of dispute resolution mechanisms within the IBF sector.

The correlation between the thriving academic works in accounting and the advancement of dispute case law in IBF serves as a testament to the interdisciplinarity of knowledge. Collaborative efforts between accounting scholars and legal experts are imperative in ensuring the continuous integration of financial best practices with legal frameworks, thereby fortifying the integrity and efficacy of the IBF sector globally.



6. Conclusion

This research aimed to identify a direct link between accounting practices and dispute resolution procedures in IBF law. Although the analysis did not find explicit evidence of a direct connection in the existing literature, it did reveal significant structural and thematic correlations. Thematic and bibliometric analysis showed a clear alignment between scholarly activity and practical legal development. Jurisdictions known for advanced dispute resolution frameworks, such as Malaysia, Indonesia, and the United Kingdom, were also the most prolific contributors to academic research on the topic. This suggests that vibrant scholarly discourse is closely associated with the development of sophisticated dispute resolution mechanisms.

Islamic accounting professionals are involved in contract disputes where financial transactions or contract clauses are under scrutiny. They can help interpret financial terms and conditions, ensuring a fair resolution for all parties involved.

This study has contributed to the literature by shedding light on the often-overlooked connection between accounting practices and dispute resolution mechanisms in Islamic finance. By examining key concepts, including auditing, accounting standards, and financial reporting, the study offered a nuanced understanding of how these elements intersect and influence dispute resolution strategies. Furthermore, the formulation of distinct accounting standards for Islamic financial reporting is imperative. This necessity arises from the inherent challenges encountered by IsFIs when adhering to existing accounting frameworks, such as International Financial Reporting Standards (IFRS) or local Generally Accepted Accounting Principles (GAAP). These conventional standards, which are often designed around traditional institutions and financial practices, frequently prove inadequate in accommodating the complexities of Islamic financial transactions (Morshed, 2024).

From a practical perspective, the findings emphasize the importance of integrating robust accounting practices within the Islamic finance industry. Clear financial reporting, adherence to the AAOIFI accounting standards, and transparent disclosure mechanisms are pivotal not only for the industry's credibility but also for effective dispute resolution. IsFIs can enhance their dispute-resolution processes by ensuring accurate accounting practices, which in turn fosters trust and confidence among stakeholders. The intersection between accounting for Islamic finance and dispute resolution arises when financial expertise is required to clarify, analyze, or interpret financial data within the context of legal disputes or disagreements.

It is essential to acknowledge the limitations of this study. The research, while comprehensive, is not exhaustive. The dynamic nature of both Islamic finance and accounting practices implies that some important sources may not be openly accessible, potentially limiting the scope and depth of the findings. Additionally, although the scope of the analysis is extensive, it may not encompass every niche aspect of this complex relationship.

Future scholars can investigate specific areas highlighted in this study in depth. Exploring the impact of emerging technologies, such as blockchain and artificial intelligence, on accounting practices and dispute resolution in Islamic finance could be a promising avenue (Calandra et al., 2022). Additionally, comparative analyses of dispute-resolution mechanisms across various IsFIs could provide significant insights into best practices.

In summary, the study underscores the integral role of accounting in facilitating effective dispute resolution within the Islamic finance industry. By recognizing the symbiotic relationship between accounting principles and resolution strategies, practitioners and policymakers can foster a more robust and resilient financial ecosystem. Despite the challenges and complexities, this intersection offers fertile ground for continued scholarly exploration, ensuring the ongoing refinement of both accounting practices and dispute resolution methods in the field of Islamic finance.

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Appendices

Appendix 1. List of publications on accounting for Islamic finance (Source: Scopus)

Year range	2018 to 2023			
Subject classification	ASJC			
Types of publications included	All publication types			
Self-citations	-			
Data source	Scopus			
Date last updated	4 October 2023			
Date exported	12 October 2023			
91 publications				
Title	Authors	Year	Scopus Source title	Citations
Risk-adjusted profitability and stability of Islamic and conventional banks: Does revenue diversification matter?	Paltrinieri, A. Dreassi, A. Rossi, S. Khan, A.	2021	Global Finance Journal	40
Influential and intellectual structure of Islamic finance: a bibliometric review	Alshater, M.M. Hassan, M.K. Khan, A. Saba, I.	2021	International Journal of Islamic and Middle Eastern Finance and Management	33
A survey on Islamic Finance and accounting standards	Hassan, M.K. Aliyu, S. Huda, M. Rashid, M.	2019	Borsa Istanbul Review	31
Dual board governance structure and multi-bank performance: a comparative analysis between Islamic banks in Southeast Asia and GCC countries	Nomran, N.M. Haron, R.	2019	Corporate Governance (Bingley)	30
Do corporate social responsibility disclosures improve financial performance? A perspective of the Islamic banking industry in Pakistan	Rehman, Z.U. Zahid, M. Rahman, H.U. Asif, M. Alharthi, M. Irfan, M. Glowacz, A.	2020	Sustainability (Switzerland)	29
Islamic accounting, neo-imperialism and identity staging: The Accounting and Auditing Organization for Islamic Financial Institutions	Kamla, R. Haque, F.	2019	Critical Perspectives on Accounting	25
What do we know about zakat literature? A bibliometric review	Alshater, M.M. Saad, R.A.J. Abd. Wahab, N. Saba, I.	2021	Journal of Islamic Accounting and Business Research	18
The impact of the Shariah Board's characteristics on the financial soundness of Islamic banks	Khalil, A. Boulila Taktak, N.	2020	Journal of Islamic Accounting and Business Research	18
Accounting and pseudo spirituality in Islamic financial institutions	Hidayah, N.N. Lowe, A. Woods, M.	2019	Critical Perspectives on Accounting	15
Examining the role of sharia supervisory board attributes in reducing financial statement fraud by Islamic banks	Anisykurlillah, I. Jayanto, P.Y.	2020	Banks and Bank Systems	14



	Mukhibad, H. Widyastuti, U.			
Islamic finance: Ethical underpinnings, products, and institutions	Hassan, A. Mollah, S.	2018	Islamic Finance: Ethical Underpinnings, Products, and Institutions	14
A Contemporary review of islamic finance and accounting literature	Hassan, M.K. Aliyu, S. Hussain, M.	2022	Singapore Economic Review	14
A Bibliometric Analysis of Islamic Accounting Research Indexed by Dimensions.ai	Rusydiana, A.S. Taqi, M. Firmansyah, I. Assalafiyah, A. Kustiningsih, N.	2020	Library Philosophy and Practice	12
Corporate governance, Shariah governance, and credit rating: A cross-country analysis from asian islamic banks	Mansoor, M. Ellahi, N. Hassan, A. Malik, Q.A. Waheed, A. Ullah, N.	2020	Journal of Open Innovation: Technology, Market, and Complexity	10
Takaful operators: analysing segregated accounts between operator/participants	Alkhan, A.M. Hassan, M.K.	2020	Journal of Islamic Accounting and Business Research	8
Financial and Accounting Principles in Islamic Finance	Alamad, S.	2019	Financial and Accounting Principles in Islamic Finance	7
Business Ethics in the Middle East	Sidani, Y.	2018	Business Ethics in the Middle East	6
Determinants of technical efficiency of Islamic banks in GCC countries	Ben Mohamed, E. Meshabet, N. Jarraya, B.	2021	Journal of Islamic Accounting and Business Research	6
Electronic financial disclosure: Islamic banking vs conventional banking in GCC	Sarea, A.M. Musleh Al-Sartawi, A.M.A. Khalid, A.A.	2018	Lecture Notes in Computer Science (including subseries Lecture Notes in Artificial Intelligence and Lecture Notes in Bioinformatics)	5
Factors influencing the selection of unit trust funds among Malaysian retail investors	Mohammed Kamil, N. Subramaniam, M. Ali, H.E. Musah, M.B. Alex, A.	2018	Journal of Islamic Accounting and Business Research	5
Sharia governance standards and the role of AAOIFI: a comprehensive literature review and future research agenda	Hassan, M.K. Raza Rabbani, M.	2023	Journal of Islamic Accounting and Business Research	5
Accounting standards and value relevance of accounting information: a comparative analysis between Islamic, conventional and hybrid banks	Agbodjo, S. Toumi, K. Hussainey, K.	2021	Journal of Applied Accounting Research	5
Corporate governance and Islamic bank accountability based on disclosure—a study on Islamic banks in Indonesia	Mukhibad, H. Yudo Jayanto, P. Suryarini, T. Bagas Hapsoro, B.	2022	Cogent Business and Management	5
Islamic corporate governance and financial statements fraud: A study of islamic banks	Mukhibad, H. Jayanto, P.Y. Anisykurlillah, I.	2021	Journal of Governance and Regulation	5
The ideological character of accounting textbooks: Insights from Indonesian accounting lecturers	Irsyadillah, I.	2019	Journal of Accounting in Emerging Economies	5
Level of Maqāsid ul-Shari'ah's in financial reporting standards for Islamic financial institutions	Mukhlisin, M.	2021	Journal of Islamic Accounting and Business Research	5
Women directors and market valuation: What are the "Wonder Woman" attributes in banking?	Alharbi, R. Elnahass, M. McLaren, J.	2022	Journal of International Financial Markets, Institutions and Money	4
Islamic law and international commercial arbitration	Bhatti, M.	2018	Islamic Law and International Commercial Arbitration	4
Does risk governance mediate the impact of governance and risk management on banks' performance? Evidence from a selected sample of Islamic banks	Jallali, S. Zoghalmi, F.	2022	Journal of Financial Regulation and Compliance	4
Does cost-inefficiency in Islamic banking matter for earnings uncertainty?	Boubaker, S. Uddin, M.H. Kabir, S.H. Mollah, S.	2023	Review of Accounting and Finance	4
Exploring Compliance of AAOIFI Shariah Standard on Ijarah Financing: Analysis on the Practices of Islamic Banks in Malaysia	Saleem, S. Mansor, F.	2020	Journal of Risk and Financial Management	3



Determinants of implementation of accounting standards for Islamic financial institutions in Iraq: A conceptual framework	Mohammed, A.M.	2018	Academy of Accounting and Financial Studies Journal	3
Salam for import operations: mitigating commodity macro risk	Anwer, Z.	2020	Journal of Islamic Accounting and Business Research	3
Charting future growth for Islamic finance talents in Malaysia: a bibliometric analysis on the Islamic finance domains and future research gaps	Abd. Wahab, N. Mohd Yusof, R. Zainuddin, Z. Shamsuddin, J.N. Mohamad, S.F.N.	2023	Journal of Islamic Accounting and Business Research	3
The significance and performance analysis of Malaysian real estate investment trusts	Khairulnuwar, A.J. Chuweni, N.N.	2020	International Journal of Law and Management	3
The rise and fall of institutional entrepreneurship in Islamic financial reporting standardisation projects	Abras, A. Al Mahameed, M.	2022	Accounting Forum	3
The substance and form of Islamic Finance instruments: an accounting perspective	Ebrahim, A. Abdelfattah, T.	2021	Journal of Islamic Accounting and Business Research	3
A proposed framework for implementing risk-based Shari'ah audit	Sani, S.D. Abubakar, M.	2020	Journal of Financial Reporting and Accounting	3
Developments in Islamic finance literature: Evidence from specialized journals	Hanif, M. Zafar, K.	2020	Journal of King Abdulaziz University, Islamic Economics	3
Saudi Arabia's small and medium enterprises (SMES) sector post-Covid-19 recovery: stakeholders' perception on investment sustainability	Alharbi, R.K.	2022	International Journal of Organizational Analysis	3
Zakat accounting information system in private higher education	Doktoralina, C.M. Bahari, Z.	2018	European Research Studies Journal	2
Potential application of Istisna' financing in Malaysia	Hasmawati, A. Mohamad, A.	2019	Qualitative Research in Financial Markets	2
The impact of Shariah Advisory Board characteristics on the financial performance of Islamic banks	Haddad, A. Bouri, A.	2022	Cogent Economics and Finance	2
Current status of Indonesian journals in the field of Islamic economics and finance	Handoko, L.H.	2020	Science Editing	2
Mind the gap: theories in Islamic accounting and finance, Islamic economics and business management studies	Mukhlisin, M. Ismail, N. Jamilah Fikri, R.	2022	ISRA International Journal of Islamic Finance	2
Fintech and Islamic banking growth: new evidence	Sidaoui, M. Ben Bouheni, F. Arslankhuyag, Z. Mian, S.	2022	Journal of Risk Finance	2
Zakat Calculation Software for Corporate Entities	Ahmed, M.U. Kasri, N.S.B.	2021	Islamic FinTech: Insights and Solutions	2
The present and future labour Shariah auditor market	Omar, M.	2019	International Journal of Innovation, Creativity and Change	1
The intention of small and medium enterprises' owners to participate in waqf: the case of Malaysia and Indonesia	Laila, N. Ratnasari, R.T. Ismail, S. Mohd Hidzir, P.A. Mahphoth, M.H.	2023	International Journal of Islamic and Middle Eastern Finance and Management	1
Open innovation in shariah compliance in Islamic banks – Does shariah supervisory board attributes matter?	Mukhibad, H. Nurkhin, A. Anisykurlillah, I. Fachrurrozie, F. Jayanto, P.Y.	2023	Journal of Open Innovation: Technology, Market, and Complexity	1
Current trends and future impacts of fintech in Islamic finance	Yasini, S. Yasini, M.	2018	Fintech in Islamic Finance: Theory and Practice	1
A study on the integration of Islamic social finance through accounting and auditing organization for Islamic financial institutions (AAOIFI)	Shabbir, M.S. Bilal, M.K. Ur Rehman, H. Cheema, A.A.	2020	International Journal of Advanced Science and Technology	1
An econometric understanding of Fintech and operating performance	Ben Bouheni, F. Tewari, M. Sidaoui, M. Hasnaoui, A.	2023	Review of Accounting and Finance	1
Financial reporting dimensions of intangibles in the context of Islamic finance	Alhabshi, S.M. Agil, S.K.S. Ahmed, M.U.	2018	Al-Shajarah	1
Islamic financial services industry: Aspirations and achievements	Hanif, M. Ayub, M.	2022	Business Ethics, Environment and Responsibility	1
Good governance based on maqāsid al-sharī'ah in management of tabling masjid: A case study of Malaysia	Zakariyah, L. Sarif, S.M. Osman,	2018	Islamic Quarterly	1



	R.A.H. Rahman, S.A.			
Critical assessment of Islamic financial assets pricing in South-East Asia: evidence from NARDL modelling	Salami, M.A.	2020	Journal of Financial Reporting and Accounting	1
Al Meezan Investment Management Limited: evolution of Shari'ah-compliant mutual funds	Sharif, S. Ahson, S. Noor, H.	2020	Emerald Emerging Markets Case Studies	1
AAOIFI Gold Standard and its Impact on Turkish Financial Markets	Çakar, R.	2021	Hitit Theology Journal	1
Corporate social responsibility and Islamic and conventional banks performance: a systematic review and future research agenda	Tasnia, M. Syed Jafaar Alhabshi, S.M. Rosman, R.	2023	Journal of Sustainable Finance and Investment	1
The association between Islamic bank performance and Islamic social responsibility in supporting SDGs: The different between Indonesia and Malaysia	Khansa, F.N. Violota, E.S.	2021	IOP Conference Series: Earth and Environmental Science	1
Talent development and retention from the bankers' perspectives: A study at Islamic Banks in Malaysia	Kamil, B.A.M. Yahya, K.K. Salleh, M.C.M. Iqbal, F.I.	2018	Journal of Social Sciences Research	1
Does Islamic banking differ from conventional banking?	Abu-Abbas, B.M.	2019	Islamic Quarterly	0
The usefulness of financial accounting systems in Islamic Education Institutions: Lessons learned	Murdayanti, Y. Purwohedu, U.	2018	Academy of Accounting and Financial Studies Journal	0
Islamic Accounting and Finance: A Handbook	Hussainey, K. Lawati, H.A.	2023	Islamic Accounting and Finance: A Handbook	0
Development of Islamic Banking in Russia Based on the Example of LLC Financial House Amal	Garifullin, I.I. Daryakin, A.A. Galeeva, G.M.	2018	Studies on Russian Economic Development	0
Islamic finance: XXth April international Academic Conference on Economic and Social Development 9-12 April 2019, Moscow, Russia	Dzhangiryan, S.	2019	Ekonomicheskaya Sotsiologiya	0
Islamic Finance Reform: A Few Points to Ponder	Nienhaus, V.	2020	Journal of King Abdulaziz University, Islamic Economics	0
Performance of Islamic Microfinance Institutions: Accounting for Well-Being	Siti-Nabiha, A.K. Norfarah, N.	2020	Global Journal Al-Thaqafah	0
Financing and returns of Shari'ah-compliant contracts and sustainable investing in the Islamic banking of Oman	Alshubiri, F. Al Ani, M.K.	2023	Economic Change and Restructuring	0
Islamic finance and sustainability reporting: The mediator role of green accounting	Sarea, A.M.	2021	Accounting, Finance, Sustainability, Governance and Fraud	0
ISLAMIC BENCHMARK IN BANKING PRICING TO OVERCOME BUSINESS CYCLE IN NEW NORMAL	Setianingrum, A.	2021	International Journal of Economics and Finance Studies	0
CHALLENGES FACED IN ADOPTING STANDARD METHODOLOGIES FOR RESEARCH IN ISLAMIC FINANCE AND THE WAY OUT	Salami, M.A. Tanrivermiş, H. Abubakar, M.	2021	Teaching and Research Methods for Islamic Economics and Finance	0
How Does Accounting Play a Role in Islamic Microfinance and Islamic Wealth Management Practices? Case Studies in Indonesia, Pakistan and Egypt	Mukhlisin, M. Laela, S.F.	2022	Wealth Management and Investment in Islamic Settings: Opportunities and Challenges	0
Islamic mutual funds: contracts, structures, screening and pricing mechanisms	Suleiman, A. Uluyol, B. Toprak, M.	2022	Journal of Investment Strategies	0
Islamic accounting applications of Islamic finance	Aleraig, M.A. Asutay, M.	2023	Islamic Accounting and Finance: A Handbook	0
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