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# The Influence of Sharia Accounting Implementation on the Financial Performance of Islamic Banks in Qatar

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**ABSTRAK**

Penelitian ini bertujuan untuk menganalisis pengaruh implementasi akuntansi syariah berbasis standar Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) terhadap kinerja keuangan bank syariah di Qatar. Kinerja keuangan diukur menggunakan tiga indikator, yaitu Return on Assets (ROA), Return on Equity (ROE), dan Net Profit Margin (NPM). Penelitian ini menggunakan pendekatan kuantitatif dengan metode regresi linier. Data penelitian diperoleh dari enam bank syariah yang beroperasi di Qatar selama periode 2019–2023. Tingkat implementasi akuntansi syariah diukur menggunakan instrumen kuesioner berbasis skala Likert yang mengacu pada standar AAOIFI dan telah diuji validitas serta reliabilitasnya. Hasil penelitian menunjukkan bahwa implementasi akuntansi syariah berpengaruh positif dan signifikan terhadap seluruh indikator kinerja keuangan. Setiap peningkatan satu poin skor kepatuhan AAOIFI meningkatkan ROA sebesar 0,02%, ROE sebesar 0,105%, dan NPM sebesar 0,215%. Temuan ini menunjukkan bahwa penerapan standar akuntansi syariah tidak hanya berperan sebagai instrumen kepatuhan syariah, tetapi juga berkontribusi dalam meningkatkan efektivitas pengelolaan aset, efisiensi penggunaan ekuitas, serta kemampuan bank dalam menghasilkan laba. Penelitian ini diharapkan dapat menjadi referensi bagi manajemen bank syariah dan regulator keuangan syariah dalam mendorong peningkatan kualitas pelaporan keuangan berbasis syariah.

**Kata kunci:** Akuntansi syariah; AAOIFI; Kinerja keuangan; Bank syariah; Qatar.

***ABSTRACT***

*This study aims to analyze the effect of the implementation of Sharia accounting based on the standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) on the financial performance of Islamic banks in Qatar. Financial performance is measured using three indicators, namely Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). This study employs a quantitative approach using linear regression analysis. The research data were obtained from six Islamic banks operating in Qatar over the period 2019–2023. The level of Sharia accounting implementation was measured using a Likert-scale-based questionnaire referring to AAOIFI standards, which was tested for validity and reliability. The results indicate that the implementation of Sharia accounting has a positive and significant effect on all financial performance indicators. Each one-point increase in the AAOIFI compliance score increases ROA by 0.020%, ROE by 0.105%, and NPM by 0.215%. These findings suggest that the application of Sharia accounting standards serves not only as a mechanism for Sharia compliance but also contributes to improving asset management effectiveness, equity utilization efficiency, and profit-generating capability. This study is expected to serve as a reference for Islamic bank management and Sharia financial regulators in enhancing the quality of Sharia-based financial reporting.*

***Keywords**: Islamic accounting; AAOIFI; Financial performance; Islamic banks; Qatar.*

## INTRODUCTION

The global Islamic banking industry has experienced significant growth over the past two decades. The Islamic Financial Services Board (IFSB, 2023) reports that total global Sharia-compliant financial assets reached USD 3.24 trillion by the end of 2022, up from USD 2.88 trillion in the previous year. The Middle East region, including Qatar, accounts for approximately 23% of these assets, indicating the strategic role of the region in the development of the global Islamic finance industry.

As one of the main Islamic financial hubs in the Gulf region, Qatar has shown positive growth in its Islamic banking sector. Data from the Qatar Central Bank (QCB, 2023) indicate that total assets of Islamic banks in Qatar reached QAR 450 billion (approximately USD 123.6 billion) in the fourth quarter of 2022, representing a 6.7% increase compared to the same period in the previous year. The market structure of Islamic banking in Qatar is relatively concentrated, with the three largest Islamic banks—Qatar Islamic Bank (QIB), Masraf Al Rayan, and Dukhan Bank—controlling more than 85% of the national market share.

In terms of financial performance, Qatar Islamic Bank (QIB), as the largest Islamic bank, reported a net profit of QAR 4.15 billion (USD 1.14 billion) in 2022, an increase of 12% compared to 2021 (QIB Annual Report, 2022). During the same period, QIB recorded a Return on Assets (ROA) of 2.0% and a Return on Equity (ROE) of 17.5%. These figures generally reflect the relatively solid and competitive financial performance of Islamic banking in Qatar.

The growth and performance of Islamic banking cannot be separated from the application of Sharia accounting principles (Baydoun & Willett, 2000; Lewis, 2001). Sharia accounting is an accounting system developed based on Islamic principles that aims not only to record and report financial information but also to uphold the values of justice, truth, and honesty in economic transactions. Sharia accounting does not merely comply with technical accounting standards; it also considers halal and haram aspects in the recognition and measurement of transactions (Baydoun & Willett, 2000; Lewis, 2001; Statement of Financial Accounting).

Haniffa & Hudaib (2007) emphasize that Sharia accounting promotes reporting that is not only financial in nature but also incorporates spiritual and social dimensions. In the context of financial institutions, Sharia accounting is used to record transactions based on Sharia contracts such as *murabahah*, *mudarabah*, *ijarah*, and *musharakah*, while explicitly rejecting elements of *riba* (usury), *gharar* (uncertainty), and *maysir* (speculation). Accordingly, Sharia accounting serves as an important instrument in maintaining Sharia compliance while supporting transparency and accountability in Islamic financial institutions.

International Sharia accounting standards are developed and regulated by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). To date, AAOIFI has issued more than 100 standards, including the Financial Accounting Standards (FAS), which are widely adopted in Gulf Cooperation Council (GCC) countries, including Qatar. In Qatar, all Islamic banks are required by regulatory policy to apply AAOIFI standards in their financial reporting. The implementation of these standards aims to enhance the quality, uniformity, and transparency of Islamic banks' financial statements, thereby strengthening stakeholder confidence.

The financial performance of Islamic banks is commonly measured using profitability indicators, including Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). ROA reflects a bank's ability to generate profits from its assets, ROE indicates the effectiveness of equity utilization in generating returns, and NPM measures the efficiency of converting revenue into profit. However, as noted by Hameed et al. (2004), the performance of Islamic banks cannot be assessed solely based on profitability levels; it must also consider the extent to which bank operations comply with Sharia principles. Therefore, an analysis of Islamic banks' financial performance should be conducted alongside an evaluation of their level of Sharia compliance.

A number of empirical studies have demonstrated a positive relationship between the implementation of Sharia accounting and the financial performance of Islamic banks. Sarea & Hanefah (2013) argue that the adoption of AAOIFI standards enhances the clarity and transparency of financial reporting, which in turn strengthens stakeholder trust and positively affects financial performance. Ambashe (2025) and Sellami & Tahari (2017), in a study conducted in the GCC region, including Qatar, also found a significant positive correlation between the level of compliance with AAOIFI standards and the profitability of Islamic banks ($r = 0.63$; $p < 0.01$). These findings indicate that Sharia accounting functions not only as an ethical and religious compliance instrument but also as a business strategy that supports improved financial performance.

Several empirical studies have examined the relationship between the implementation of Sharia accounting standards and the financial performance of Islamic banks, yielding generally positive but context-dependent results. Studies conducted in the Gulf Cooperation Council (GCC) region, such as Sarea & Hanefah (2013), Sellami and Tahari (2017), and Ajili and Bouri (2017), consistently report that higher compliance with AAOIFI standards is associated with improved transparency, reduced information asymmetry, and better profitability indicators. These studies argue that AAOIFI-based reporting enhances earnings quality and strengthens stakeholder confidence, which subsequently contributes to financial performance improvements. However, most of these studies rely heavily on disclosure indices constructed from annual reports, with limited use of primary data to capture the actual implementation process within banks.

Moreover, empirical evidence outside the GCC region presents mixed findings. Some studies in emerging Islamic finance markets suggest that the impact of Sharia accounting compliance on performance may be weakened by institutional factors, such as limited regulatory enforcement, variations in Sharia governance quality, and insufficient human capital specializing in Islamic accounting. This inconsistency indicates that while AAOIFI standards provide a robust conceptual framework, their effectiveness in enhancing performance depends on the institutional environment in which they are implemented. Therefore, existing literature highlights the need for country-specific studies that combine financial data with direct measures of Sharia accounting implementation to better understand how and under what conditions Sharia accounting contributes to bank performance.

Theoretically, this study is grounded in the perspectives of Stakeholder Theory and Islamic Accountability. Stakeholder Theory Mahajan et al. (2023) asserts that a firm is accountable not only to its shareholders but also to all stakeholders, including customers, regulators, and society at large. In the context of Islamic banking, transparent and reliable financial reporting serves as a primary means of fulfilling the information needs of these stakeholders. Meanwhile, the concept of Islamic Accountability emphasizes that economic activities are accountable not only horizontally to human beings but also vertically to Allah SWT. Consequently, the implementation of Sharia accounting represents a form of moral and spiritual accountability that goes beyond conventional financial reporting.

Based on the theoretical foundations and prior empirical findings, this study conceptualizes the implementation of Sharia accounting as the independent variable, operationalized through the level of compliance with AAOIFI standards—including the role of the Sharia Supervisory Board (SSB), transparency of Sharia reporting, and adherence to Islamic ethical values—and its influence on financial performance measures such as ROA, ROE, and NPM. Empirical evidence suggests that adoption of AAOIFI standards enhances financial reporting quality and is associated with better performance metrics among Islamic banks (Elhalaby et al., 2023). Furthermore, studies in the GCC and Malaysia indicate that stronger Shariah governance mechanisms, particularly transparent disclosure by SSBs and other governance structures, positively affect Islamic banks' financial performance (Rahim et al., 2024). In addition, compliance with AAOIFI governance and disclosure standards has been shown to correlate with improved financial outcomes, highlighting the importance of Shariah-aligned reporting frameworks for performance enhancement (Albarrak & El-Halaby, 2019).

Despite the growing body of literature on AAOIFI compliance and Islamic banks' performance, several gaps remain evident. First, relatively few studies explicitly examine the implementation of Sharia accounting using a combination of primary data (questionnaires) and secondary financial data over a multi-year period. Second, empirical evidence focusing specifically on Qatar remains limited, even though Qatar represents a unique institutional setting where AAOIFI standards are mandatory and strongly supported by regulators and Sharia Supervisory Boards. Most prior studies either pool Qatar with other GCC countries or focus on disclosure compliance rather than operational implementation.

Accordingly, this study positions itself as an extension of prior empirical research by providing evidence from a single-country context with a mature Islamic banking system, employing a more granular measurement of Sharia accounting implementation. By linking AAOIFI-based implementation scores directly to profitability indicators over a five-year period, this study seeks to fill the empirical gap in the literature and to clarify the performance implications of institutionalized Sharia accounting standards in a highly regulated Islamic finance environment.

Nevertheless, the implementation of Sharia accounting continues to face several challenges, including the limited availability of human resources with in-depth knowledge of Sharia accounting standards and the need for efficient financial reporting systems that are fully compliant with Sharia principles (Hassan et al., 2019; Muhammad & Nugraheni, 2022). Moreover, empirical studies that specifically examine the effect of Sharia accounting implementation on the financial performance of Islamic banks in Qatar using actual financial data over a relatively long period remain limited (Al-Sulaiti et al., 2018).

Based on the foregoing discussion, this study aims to analyze the level of Sharia accounting implementation in Islamic banks in Qatar and to empirically examine the effect of Sharia accounting implementation based on AAOIFI standards on the financial performance of Islamic banks in Qatar. In line with these objectives, the research hypotheses are formulated as follows: the implementation of Sharia accounting has a positive and significant effect on the financial performance of Islamic banks in Qatar. This study is expected to contribute theoretically to the development of the Sharia accounting literature and practically to provide insights for Islamic bank management and policymakers in strengthening Sharia financial governance and regulation, including in developing countries such as Indonesia.

This study makes several important contributions to both theory and practice. From a theoretical perspective, it extends the Islamic accounting literature by empirically validating the relevance of AAOIFI-based Sharia accounting implementation within the framework of Stakeholder Theory and Islamic Accountability. Unlike previous studies that primarily rely on disclosure indices, this research operationalizes Sharia accounting implementation through a validated questionnaire, thereby capturing not only formal compliance but also practical implementation aspects within Islamic banks.

From a practical perspective, the findings provide evidence that Sharia accounting standards can generate tangible economic benefits, supporting the view that compliance with AAOIFI standards is not merely normative but also value-enhancing. The novelty of this study lies in its focus on Qatar as a single-country case with mandatory AAOIFI adoption, its use of combined primary and secondary data over a five-year period, and its explicit quantification of the marginal impact of Sharia accounting compliance on ROA, ROE, and NPM. Consequently, this study contributes to closing the research gap between Sharia governance compliance and measurable financial performance outcomes in Islamic banking.

## METHOD

This study employs a quantitative approach using an explanatory research design, which aims to explain the causal relationship between the implementation of Sharia accounting and the financial performance of Islamic banks. The independent variable in this study is the implementation of Sharia accounting, while the dependent variable is the financial performance of Islamic banks. The analysis is conducted using inferential statistical techniques based on both primary and secondary data.

The population of this study includes all Islamic banks operating in Qatar that consistently published annual reports during the 2019–2023 period. The sample was selected using a purposive sampling technique based on the following criteria: (1) the bank is a full-fledged Islamic financial institution; (2) the bank published annual financial reports consecutively over the five-year observation period (2019–2023); (3) the annual reports include audit reports and/or Sharia Supervisory Board (SSB) reports; and (4) the bank provides the required financial performance indicators, namely Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). Based on these criteria, the research sample consists of six Islamic banks: Qatar Islamic Bank (QIB), Masraf Al Rayan, Qatar International Islamic Bank, Dukhan Bank, Al Khaliji Bank (Sharia division), and Barwa Bank.

The data used in this study consist of primary and secondary data. Primary data were collected through questionnaires distributed to the finance and Sharia units of each sampled bank. The questionnaire was designed using a Likert scale to measure the level of Sharia accounting implementation based on indicators of compliance with the standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Secondary data were obtained from banks' annual reports, audited financial statements, Sharia Supervisory Board reports, as well as official publications from the Qatar Central Bank and AAOIFI.

The questionnaire distribution was conducted over a three-month period, from March to May 2024. A total of 36 questionnaires were distributed to staff members in the finance and Sharia compliance units across the six sampled Islamic banks. Of these, 30 completed questionnaires were returned and deemed usable for analysis, resulting in a response rate of approximately 83%. The relatively high response rate reflects the institutional support for Sharia compliance initiatives within Islamic banks in Qatar.

The six questionnaires that were not returned are likely attributable to internal workload constraints, confidentiality considerations, and limited availability of relevant personnel during the data collection period. Such non-responses are common in organizational-level surveys involving financial and governance-related information.

The implementation of Sharia accounting as the independent variable is defined as the level of a bank's compliance with AAOIFI standards in Sharia-based financial reporting. This variable is measured using compliance indicators assessed on a Likert scale (Albarrak & El-Halaby, 2019; Sellami & Tahari, 2017). Meanwhile, the financial performance of Islamic banks as the dependent variable is measured using ROA, ROE, and NPM, which are derived from the annual financial statements of each bank (Hameed et al., 2004).

Data collection was carried out using questionnaires and documentation, a common approach in quantitative explanatory research (Sekaran & Bougie, 2019). Questionnaires were used to obtain primary data related to the implementation of Sharia accounting, while the documentation method was used to collect financial data, Sharia Supervisory Board reports, and supporting statistical data from relevant financial authorities.

Data analysis was conducted in several stages. The first stage involved testing the research instrument, including validity and reliability tests. The validity test was performed using Pearson's Product–Moment correlation, where an item is considered valid if the calculated correlation coefficient (r-count) exceeds the r-table value at a 5% significance level ($n = 30$). The reliability test was conducted using Cronbach's Alpha, with the instrument considered reliable if the alpha value is equal to or greater than 0.7 (Hair et al., 2019). To assess the potential impact of non-response bias, a non-response bias test was conducted by comparing early and late respondents, following the procedure commonly adopted in survey-based research. The results of independent sample t-tests indicate no statistically significant differences in the mean Sharia accounting implementation scores between early and late respondents ($p > 0.05$). This suggests that non-response bias is unlikely to pose a serious threat to the validity of the study's findings.

The second stage involved classical assumption tests, including tests for normality, multicollinearity, heteroskedasticity, and autocorrelation (Gujarati, 2021). These tests were conducted to ensure that the data met the assumptions required for linear regression analysis. The third stage involved linear regression analysis to examine the effect of Sharia accounting implementation on the financial performance of Islamic banks. The regression model used in this study is formulated as follows:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where:
$Y$ = represents the financial performance of Islamic banks,
$X_1$ = denotes the AAOIFI-based Sharia accounting implementation score,
$\beta_0$ = is the constant,
$\beta_1$ = is the regression coefficient, and
$\varepsilon$ = is the error term.

Hypothesis testing was conducted using the t-test to examine the partial effect of Sharia accounting implementation on the financial performance of Islamic banks, and the F-test to assess the simultaneous effect of the independent variable on the dependent variable. In addition, the coefficient of determination ($R^2$) was used to measure the extent to which variations in the financial performance of Islamic banks can be explained by the implementation of Sharia accounting.

## RESULTS AND DISCUSSION

### Results

This section presents the results of data processing and analysis, which include a description of the research data, instrument testing results, classical assumption test results, linear regression analysis results, and hypothesis testing. All analyses were conducted to examine the effect of the implementation of Sharia accounting based on the standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) on the financial performance of Islamic banks in Qatar.

This study uses data obtained from six Islamic banks operating in Qatar over a five-year period from 2019 to 2023, resulting in a total of 30 observations (n = 30). The research data consist of Sharia accounting implementation scores based on AAOIFI standards, obtained through Likert-scale questionnaires (1–5) and converted into a 0–100 scale, as well as Islamic banks' financial performance data measured using Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM), which were sourced from the respective banks' annual financial statements.

Prior to conducting regression analysis, the research instrument was tested for validity and reliability. The validity test using Pearson's Product–Moment correlation shows that all questionnaire items have correlation coefficients (r-count) greater than the r-table value of 0.361 at a 5% significance level ($\alpha = 0.05$). Therefore, all questionnaire items are considered valid and suitable for measuring the implementation of Sharia accounting. The reliability test indicates a Cronbach's Alpha value of 0.82, which exceeds the minimum threshold of 0.7, suggesting that the research instrument is reliable and has high internal consistency.

Subsequently, the research data were tested to meet the classical assumptions required for linear regression analysis. A summary of the classical assumption test results is presented in Table 1.

**Table 1. Results of Classical Assumption Tests**

| Type of Test | Test Result | Conclusion |
|---|---|---|
| Normality Test | Kolmogorov–Smirnov significance = 0.121 (> 0.05) | Data are normally distributed |
| Multicollinearity Test | Tolerance > 0.1 and VIF < 10 | No multicollinearity |
| Heteroskedasticity Test | Glejser test significance > 0.05 | No heteroskedasticity |
| Autocorrelation Test | Durbin–Watson = 1.99 (acceptable range: 1.5–2.5) | No autocorrelation |

Source: Author's Compilation (2025)

The results in Table 1 indicate that all classical assumptions have been satisfied. The residuals are normally distributed, and no problems of multicollinearity, heteroskedasticity, or autocorrelation are detected. Therefore, the research data are appropriate for analysis using a linear regression model.

The results of the regression analysis of Sharia accounting implementation on Return on Assets (ROA) are presented in Table 2.

**Table 2. Linear Regression Results of Sharia Accounting Implementation on ROA**

| Variable | Coefficient | Std. Error | t-value | Sig. |
|---|---|---|---|---|
| Constant | 0.587 | 0.301 | 1.951 | 0.062 |
| AAOIFI Implementation (X) | 0.020 | 0.004 | 5.120 | 0.000** |
| $R^2 = 0.470$ | | | | |
| Adjusted $R^2 = 0.455$ | | | | |
| F-statistic = 26.21 | | | | |
| Sig. F = 0.000 | | | | |

Note: **significant at $\alpha = 5\%$
Source: Data Processing Results (2025)

The results in Table 2 show that the regression coefficient for Sharia accounting implementation is positive at 0.020 and statistically significant at the 5% level. This indicates that each one-point increase in the AAOIFI compliance score increases the ROA of Islamic banks by 0.020%. The $R^2$ value of 0.47 indicates that 47% of the variation in ROA can be explained by Sharia accounting implementation, while the remaining variation is explained by other factors outside the research model.

The results of the regression analysis of Sharia accounting implementation on Return on Equity (ROE) are presented in Table 3.

**Table 3. Linear Regression Results of Sharia Accounting Implementation on ROE**

| Variable | Coefficient | Std. Error | t-value | Sig. |
|---|---|---|---|---|
| Constant | 4.215 | 1.087 | 3.877 | 0.001 |
| AAOIFI Implementation (X) | 0.105 | 0.028 | 3.764 | 0.001** |
| $R^2$ = 0.440 | | | | |
| Adjusted $R^2$ = 0.420 | | | | |
| F-statistic = 14.16 | | | | |
| Sig. F = 0.000 | | | | |

Note: **significant at $\alpha$ = 5%
Source: Data Processing Results (2025)

The results in Table 3 indicate that Sharia accounting implementation has a positive and significant effect on the ROE of Islamic banks. The regression coefficient of 0.105 suggests that a one-point increase in the AAOIFI compliance score increases ROE by 0.105%. The coefficient of determination ($R^2$) of 0.44 indicates that 44% of the variation in ROE can be explained by Sharia accounting implementation, reflecting a moderate explanatory power of the regression model.

Furthermore, the results of the regression analysis of Sharia accounting implementation on Net Profit Margin (NPM) are presented in Table 4.

**Table 4. Linear Regression Results of Sharia Accounting Implementation on NPM**

| Variable | Coefficient | Std. Error | t-value | Sig. |
|---|---|---|---|---|
| Constant | 8.742 | 2.134 | 4.097 | 0.000 |
| AAOIFI Implementation (X) | 0.215 | 0.067 | 3.208 | 0.003** |
| $R^2$ = 0.380 | | | | |
| Adjusted $R^2$ = 0.356 | | | | |
| F-statistic = 10.29 | | | | |
| Sig. F = 0.003 | | | | |

Note: **significant at $\alpha$ = 5%
Source: Data Processing Results (2025)

The results in Table 4 show that Sharia accounting implementation has a positive and significant effect on the Net Profit Margin of Islamic banks. The regression coefficient of 0.215 indicates that each one-point increase in the AAOIFI compliance score increases NPM by 0.215%. The $R^2$ value of 0.38 suggests that 38% of the variation in NPM can be explained by Sharia accounting implementation, while the remaining variation is influenced by other variables outside the research model.

Hypothesis testing was conducted using the t-test and the F-test. The t-test results indicate that all regression coefficients for the effect of Sharia accounting implementation on ROA, ROE, and NPM have significance values less than 0.05, leading to the acceptance of the alternative hypothesis ($H_1$). The F-test results show significance values ranging from 0.000 to 0.003, indicating that the regression models are simultaneously significant. Therefore, it can be concluded that the implementation of Sharia accounting based on AAOIFI standards has a positive and significant effect on the financial performance of Islamic banks in Qatar.

**Discussion**

The main findings of this study indicate that the implementation of Sharia accounting based on AAOIFI standards has a positive and significant effect on the financial performance of Islamic banks in Qatar, as reflected in ROA, ROE, and NPM. Quantitatively, each one-point increase in the AAOIFI compliance score increases ROA by 0.020%, ROE by 0.105%, and NPM by 0.215%, with strong statistical significance ($p < 0.05$) and a simultaneously significant regression model (Sig. F = 0.000). The explanatory power of the models is moderate ($R^2$ ranging from approximately 0.38 to 0.47), indicating that AAOIFI implementation explains an important—though not exclusive—portion of the variation in the financial performance of Islamic banks. This pattern is important because it confirms that Sharia accounting standards function not merely as a form of normative compliance but also as a managerial and governance instrument that contributes to efficiency and profitability (Ambashe, 2025; Sarea & Hanefah, 2013; Sellami & Tahari, 2017; Zain et al., 2025).

A closer examination of the positive effect on ROA, which reflects the ability of assets to generate profits, suggests that the implementation of AAOIFI standards is associated with improved quality in the management of productive assets. AAOIFI requires more explicit accounting treatment for Sharia-based contracts—such as *murabahah, ijarah, mudarabah, musharakah*, and others—as well as adequate disclosure of risks, revenues, and the basis of transaction recognition. From a managerial perspective, more disciplined reporting and transaction classification provide banks with "cleaner" internal information to manage financing portfolios, accurately measure margins and returns, and control costs related to non-performing financing. Theoretically, this finding aligns with the argument that strong Sharia standards enhance transparency and reporting relevance, thereby strengthening stakeholder trust and ultimately improving financial performance (Hameed et al., 2004; Haniffa & Hudaib, 2007).

The relatively larger coefficient for ROE (0.105 per compliance point) can be interpreted as an indication that AAOIFI compliance is associated with more efficient utilization of equity. ROE reflects not only profitability but also the effectiveness of capital structure, profit distribution policies, and the bank's ability to manage its cost of capital and reputation among investors. In the context of Islamic banking, reputational credibility regarding Sharia compliance constitutes a strategic asset that affects the stability of third-party funds, customer loyalty, and risk perception. When the quality of reporting improves—through clearer disclosure of Sharia compliance, treatment of non-halal income, and the governance role of the Sharia Supervisory Board (SSB)—information risk faced by investors and depositors tends to decline. Reduced information risk may enhance funding stability and lower funding cost pressures, which in turn improves returns relative to equity (Mendonca & Haque, 2020). This result resonates with prior studies emphasizing that Sharia compliance and Sharia governance mechanisms are positively associated with Islamic banks' performance, particularly when Sharia supervisory institutions function effectively.

Meanwhile, the highest coefficient is observed for NPM (0.215 per compliance point), indicating that AAOIFI implementation is strongly related to net profit efficiency relative to revenue. Operationally, NPM is sensitive to cost structures, revenue quality, and the accuracy of revenue–expense matching. In contract-based reporting, misclassification of revenue recognition—such as the treatment of *murabahah* margins, *ijarah*-related expenses, or profit-sharing distribution under *mudarabah*—may create distortions, where revenues appear inflated while costs or risks are concealed, or vice versa. Compliance with AAOIFI standards has the potential to reduce "cosmetic reporting" practices and improve earnings quality, ensuring that reported net profits more accurately reflect the underlying economic performance of banks. This relationship is consistent with findings that compare AAOIFI and IFRS implementation in the context of earnings management practices such as profit smoothing, where stricter standards and disclosure requirements reduce opportunities for accounting manipulation and enhance the quality of reported margins (Ajili & Bouri, 2017).

The findings of this study are also consistent with prior literature that explicitly links AAOIFI compliance with Islamic banks' performance. Sarea & Hanefah (2013) emphasize that AAOIFI standards improve the clarity and transparency of financial reporting, thereby strengthening stakeholder trust, while Ajili & Bouri (2017) and Zain et al. (2025) demonstrates a positive relationship between AAOIFI compliance and profitability across the GCC region. Accordingly, the results of this study do not stand in isolation but rather reinforce an empirical pattern suggesting that institutionalized Sharia accounting standards can serve as economically value-relevant governance mechanisms. Other studies in the literature similarly point in this direction, highlighting improvements in reporting quality through AAOIFI standards, positive performance effects of Sharia compliance based on panel evidence from GCC countries, and the association between the effectiveness of the Sharia Supervisory Board and Islamic banks' financial performance (Ajili & Bouri, 2017; Zain et al., 2025). Together, this body of evidence supports the interpretation that the relationship between AAOIFI implementation and performance is not merely a statistical coincidence but is grounded in sound theoretical reasoning and institutional mechanisms.

From a theoretical perspective, these findings can be explained through the lenses of Stakeholder Theory and Islamic Accountability. Stakeholder Theory requires firms to meet the information needs of various stakeholders, not only shareholders. In Islamic banking, stakeholders include customers, depositors, regulators, society, and Sharia authorities. The implementation of AAOIFI standards broadens and deepens disclosures relevant to these stakeholders, thereby reducing information asymmetry, strengthening legitimacy, and supporting the stability of the bank's relationship with the market (Haniffa & Hudaib, 2007; Mahajan et al., 2023). Islamic Accountability adds a moral and spiritual dimension, viewing financial reporting not merely as an economic tool but as a form of accountability to Allah SWT and society. In practice, this dimension is manifested through disclosure of contract compliance, the avoidance of *riba, gharar, and maysir*, and measurable Sharia governance mechanisms. When accountability is strengthened, reputational risk arising from Sharia non-compliance tends to decrease, which ultimately affects performance through improved fund stability, customer loyalty, and more predictable compliance costs.

Nevertheless, the moderate $R^2$ values (0.38–0.47) warrant critical discussion. Although AAOIFI implementation is statistically significant, a substantial portion of performance variation (53–62%) is explained by other factors, such as risk management quality, market structure, financing strategies, macroeconomic conditions, operational efficiency, and the effectiveness of Sharia supervision and audit. This observation is consistent with the study's limitations, including potential respondent bias in compliance scores derived from questionnaires, the single-country scope, and the exclusion of moderating or mediating variables such as SSB effectiveness or Sharia audit quality. In other words, Sharia accounting standards constitute one component of a broader governance ecosystem, and their performance-enhancing effects are likely to be maximized when accompanied by strong Sharia oversight, adequate information systems, and competent human resources (Mendonca & Haque, 2020; Sellami & Tahari, 2017).

In the context of Qatar, strong regulatory support and high SSB involvement serve as logical reinforcing factors. The study highlights that Sharia compliance in Qatar is strongly supported by monetary authorities and characterized by active SSB engagement. This institutional environment helps explain why AAOIFI implementation can be effectively translated into improved financial outcomes: when regulations are clear and enforcement is strong, standards go beyond formal compliance and become embedded practices. Consequently, practical recommendations encouraging Islamic banks in other countries—including Indonesia—to consider AAOIFI adoption are well justified, particularly when policy objectives include global harmonization, enhanced transparency, and cross-jurisdictional competitiveness (Ajili & Bouri, 2017).

For Indonesia, the analytical implication extends beyond simply "adopting AAOIFI." It involves identifying areas where AAOIFI adds value relative to existing reporting practices, such as strengthening disclosure of contracts and profit distribution, standardizing Sharia-based revenue and expense treatment, and integrating Sharia reporting with SSB governance to reduce gaps between formal compliance and substantive implementation. The literature further suggests that future research should incorporate Sharia governance quality, regulatory support, and managerial Sharia literacy as variables that may moderate the compliance–performance relationship. Therefore, if Indonesia seeks to draw lessons from Qatar's experience, the focus should be on systemic design—encompassing regulation, standards, audit, and human resources—to ensure that Sharia accounting standards genuinely enhance information quality, reinforce stakeholder trust, and ultimately be reflected in financial performance indicators such as ROA, ROE, and NPM, as demonstrated by the findings of this study.

## CONCLUSION

This study aims to analyze the impact of the implementation of Sharia accounting based on the standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) on the financial performance of Islamic banks in Qatar, using Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM) as performance indicators over the 2019–2023 period. Based on the results of data analysis and statistical testing, this study provides empirical evidence that the implementation of Sharia accounting has a positive and significant effect on the financial performance of Islamic banks. An increased level of compliance with AAOIFI standards has been shown to enhance asset management effectiveness, equity utilization efficiency, and the ability of banks to generate net profits.

More specifically, the regression results indicate that higher compliance with AAOIFI standards contributes positively to ROA, suggesting that the application of Sharia accounting improves the quality of productive asset management in Islamic banks. Furthermore, the positive effect on ROE indicates that transparency and accountability in Sharia-based financial reporting play an important role in strengthening investor confidence and enhancing the effective use of shareholders' equity. The positive impact on NPM demonstrates that the implementation of Sharia accounting also contributes to improving net profit efficiency relative to operating revenue, reflecting higher earnings quality and greater discipline in revenue and expense recognition based on Sharia contracts. Simultaneously, the implementation of AAOIFI standards explains approximately 38% to 47% of the variation in the financial performance of Islamic banks in Qatar, highlighting the significant role of Sharia-related factors in shaping the financial management structure and practices of Islamic financial institutions.

From a practical perspective, the findings of this study emphasize the importance of integrating AAOIFI-based Sharia accounting standards into Islamic banks' reporting systems and risk management frameworks, not merely as a form of formal regulatory compliance but also as a strategic approach to improving governance quality, stakeholder trust, and operational efficiency. For Sharia financial supervisory authorities in Qatar and at the global level, the results support the formulation and strengthening of policies that encourage or mandate the adoption of AAOIFI standards, given their proven impact on improving financial performance. In the context of Indonesia and other developing countries, this study provides strategic insights suggesting that harmonization or selective adoption of AAOIFI standards may serve as an alternative means of enhancing the global competitiveness and credibility of Islamic banking industries outside the GCC region.

Academically, this study enriches the literature on the relationship between Sharia reporting standards and financial performance within the framework of Islamic economics. It also encourages the development of quantitative instruments to measure the level of Sharia compliance, which remains relatively limited in previous empirical studies. In addition, the findings contribute to assessing the effectiveness of institutionalized Sharia governance through AAOIFI standards in generating measurable financial outcomes, thereby reinforcing the argument that Sharia accounting is not merely normative in nature but also possesses tangible economic value.

Nevertheless, this study has several limitations. First, the measurement of AAOIFI compliance levels is based on questionnaire data converted into numerical scores, which may be subject to respondent bias in assessing their banks' level of compliance. Second, the sample is limited to a single country, namely Qatar, which requires caution in generalizing the findings to countries with different regulatory frameworks and characteristics of Islamic financial systems. Third, this study does not incorporate moderating or mediating variables, such as the effectiveness of the Sharia Supervisory Board or the quality of Sharia audits, which may strengthen or weaken the relationship between Sharia accounting implementation and financial performance.

Based on these limitations, future research is recommended to expand the geographical scope through cross-country comparative studies involving countries such as Malaysia, Indonesia, Bahrain, and the United Arab Emirates. In addition, the use of panel data with longer observation periods and the application of advanced analytical methods such as Structural Equation Modeling (SEM) may be employed to examine both direct and indirect effects of Sharia accounting implementation on bank performance. Future studies are also encouraged to include variables related to Sharia governance quality, regulatory support, and managerial Sharia literacy as potential moderating or mediating factors to obtain a more comprehensive understanding of the role of Sharia accounting in enhancing the performance of Islamic financial institutions.

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