

## The Development of Islamic Accounting Standards in Vietnam: Challenges and Opportunities for Harmonization

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### ABSTRACT

*The development of Islamic accounting standards has gained global attention alongside the growth of Islamic economics, including in Vietnam, where Muslims represent a minority population. This study aims to analyze the challenges and opportunities in developing Islamic accounting standards in Vietnam and to examine the potential for harmonization with international frameworks such as AAOIFI. A qualitative method with a descriptive-analytical approach was employed, drawing on literature reviews, policy documents, and comparative studies of countries with more advanced Islamic accounting systems. The findings reveal that the main barriers involve regulatory gaps, institutional capacity, and human resource limitations, yet substantial opportunities exist through ASEAN regional integration, the expansion of the halal industry, and increasing cross-border investments. The study implies the need for policy reforms, institutional strengthening, and international cooperation to accelerate the adoption of Islamic accounting standards in Vietnam.*

**Keywords:** Islamic Accounting, Standard Harmonization, Vietnam, Islamic Economics

### ABSTRAK

Perkembangan standar akuntansi syariah menjadi perhatian global seiring dengan pertumbuhan ekonomi Islam di berbagai belahan dunia, termasuk di Vietnam yang memiliki populasi Muslim minoritas. Penelitian ini bertujuan menganalisis tantangan dan peluang dalam pengembangan standar akuntansi syariah di Vietnam serta menelaah kemungkinan harmonisasi dengan kerangka internasional seperti AAOIFI. Metode yang digunakan adalah kualitatif dengan pendekatan deskriptif-analitis melalui telaah literatur, dokumen kebijakan, serta studi komparatif terhadap negara-negara dengan sistem akuntansi syariah yang lebih maju. Hasil penelitian menunjukkan bahwa hambatan utama terletak pada regulasi, kapasitas institusional, dan keterbatasan sumber daya manusia, namun terdapat peluang besar melalui integrasi regional ASEAN, pertumbuhan industri halal, dan peningkatan investasi lintas negara. Penelitian ini berimplikasi pada perlunya reformasi kebijakan, penguatan kapasitas kelembagaan, serta kerja sama internasional untuk mempercepat adopsi standar akuntansi syariah di Vietnam.

**Kata Kunci:** Akuntansi Syariah, Harmonisasi Standar, Vietnam, Ekonomi Islam

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## INTRODUCTION

The development of Islamic accounting has gained significant global attention in line with the increasing role of Islamic economics worldwide. Countries with majority Muslim populations such as Malaysia, Indonesia, and those in the Gulf region have pioneered the establishment of Islamic accounting standards to support the growth of Islamic finance. Vietnam, despite being a country with a Muslim minority, has also begun to show interest in adopting Islamic accounting as part of its integration into the global economy based on Islamic values (Haniffa & Hudaib, 2007; Napier, 2009).

The establishment of standardized Islamic accounting frameworks is essential not only for domestic practices but also for alignment with international structures. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) serves as a global reference in the harmonization process of Islamic accounting standards. Prior studies highlight that harmonization strengthens transparency, accountability, and public trust in Islamic financial institutions (El-Halaby & Hussainey, 2015; Karim, 2001).

Vietnam is still in the embryonic stage of Islamic finance, yet the potential is significant considering the rise of foreign investment, the expansion of the halal industry, and closer economic ties with ASEAN member countries. The main challenges include a regulatory infrastructure still dominated by conventional systems, the limited availability of human resources trained in Islamic accounting, and the scarcity of local literature on the subject (Nguyen & Truong, 2020). These conditions underscore the urgency of building an academic and practical foundation for Islamic accounting development in the country.

Globalization and digitalization have intensified the demand for Vietnam to adapt to internationally recognized Islamic accounting practices. The emergence of technology-driven financial instruments such as Islamic fintech requires responsive and adaptive accounting regulations. Previous studies emphasize that digital transformation can accelerate the adoption of Islamic accounting standards when supported by effective government policies and institutional capacity (Alam et al., 2019; Kamla & Alsoufi, 2015).

The role of ASEAN economic integration also places additional pressure on Vietnam to maintain accounting consistency, which is essential for facilitating cross-border investment flows. Harmonization of Islamic accounting standards opens opportunities for collaboration with neighboring countries that already possess well-established Islamic financial infrastructures. International research confirms that convergence of accounting standards contributes positively to global financial stability (Tarca, 2004; Zeghal & Mhedhbi, 2006).

This study aims to analyze the challenges and opportunities in developing Islamic accounting standards in Vietnam and to examine the feasibility of harmonization with international frameworks such as AAOIFI. The findings are expected to provide both academic and practical contributions to the advancement of Islamic accounting in Southeast Asia.

## METHOD

This study employed a qualitative research design with a descriptive-analytical approach to explore the development of Islamic accounting standards in Vietnam. Data were collected through an extensive review of scholarly literature, policy documents, and reports issued by international organizations such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the International Financial Reporting Standards (IFRS) Foundation. The selection of sources was based on their relevance to the themes of Islamic accounting harmonization, financial regulation, and the broader context of accounting development in emerging economies. The analytical framework was constructed to identify both challenges and opportunities for Vietnam in aligning its accounting practices with global Islamic standards.

The analysis was further supported by a comparative perspective, drawing insights from countries with more advanced Islamic accounting infrastructures, such as Malaysia, Indonesia, and members of the Gulf Cooperation Council. This comparative element provided a benchmark for assessing Vietnam's readiness and the feasibility of adopting Islamic accounting standards. The validity of findings was enhanced through triangulation of data sources, ensuring that conclusions were not drawn from a single perspective but integrated across academic, regulatory, and institutional dimensions. The methodological rigor aimed to produce results that are academically robust and practically applicable for policymakers and stakeholders in Vietnam's financial sector.

## RESULTS AND DISCUSSION

### *Regulatory Challenges in Developing Islamic Accounting Standards in Vietnam*

Vietnam's regulatory framework for accounting and finance remains largely rooted in conventional systems that prioritize alignment with International Financial Reporting Standards (IFRS). This reliance on conventional structures poses challenges when introducing Islamic accounting standards, as these standards are guided by distinct Shari'ah principles. Research highlights that the absence of specific regulatory mechanisms for Islamic finance often results in inconsistencies in reporting and disclosure (Zaid, Ibrahim, & Ezat, 2014).

Policymakers in Vietnam must, therefore, address the institutional gaps to ensure that Islamic accounting can be harmonized within the existing legal framework.

The complexity of Shari'ah compliance further complicates regulatory adaptation. Unlike conventional financial systems, Islamic accounting requires evaluation of transactions not only on financial grounds but also on ethical and religious considerations. Previous studies indicate that regulatory bodies in countries with limited Islamic finance experience often struggle to design policies that reflect both financial prudence and religious legitimacy (Sarea & Hanefah, 2013). Vietnam faces a similar situation, necessitating capacity building among regulators and legal experts.

Another challenge lies in the lack of specialized Shari'ah governance within financial institutions. Research from other jurisdictions shows that the integration of Shari'ah boards is essential for ensuring accountability and legitimacy in Islamic finance (Mollah & Zaman, 2015). The absence of such governance structures in Vietnam restricts the country's ability to implement Islamic accounting practices effectively. Establishing independent Shari'ah boards at the institutional and national levels could provide a solution to this gap.

Institutional inertia also hinders the development of Islamic accounting. Many regulatory authorities are reluctant to adopt new systems due to perceived risks, additional costs, and uncertainty regarding public reception. Evidence from studies on emerging economies demonstrates that resistance to regulatory innovation can significantly delay the adoption of international accounting standards (Al-Akra, Ali, & Marashdeh, 2009). Vietnam's institutions may need to overcome similar barriers by adopting incremental regulatory reforms that gradually integrate Islamic accounting principles.

Legal harmonization between conventional accounting frameworks and Islamic standards represents another challenge. While IFRS emphasizes comparability and global integration, Islamic accounting often prioritizes ethical disclosures that are not addressed in IFRS. Empirical findings suggest that balancing these objectives requires careful alignment of reporting standards (Irvine, Cooper, & Moerman, 2011). For Vietnam, this balance will be crucial in ensuring acceptance by both domestic and international stakeholders.

Regulatory enforcement capacity remains limited, especially in sectors related to Islamic finance. Without robust enforcement, even well-designed standards may fail in practice. Studies confirm that weak enforcement mechanisms undermine the effectiveness of accounting reforms in developing countries (Judge, Li, & Pinsker, 2010). Vietnam must, therefore, strengthen its institutional

monitoring systems to ensure compliance once Islamic accounting standards are introduced.

The regulatory environment is also shaped by political considerations. The extent to which the government prioritizes Islamic finance will determine the speed of regulatory change. Comparative studies highlight that political support has been a key factor in the successful adoption of Islamic accounting standards in countries such as Malaysia and Bahrain (Baydoun & Willett, 2000). In Vietnam, political will is yet to be tested in this domain, and its role could be decisive in shaping outcomes.

Finally, capacity-building initiatives for regulators remain underdeveloped. Continuous professional education and international cooperation are required to improve the understanding of Islamic accounting principles among policymakers. Partnerships with established Islamic finance jurisdictions could provide Vietnam with technical expertise and regulatory models to emulate (Askary & Clarke, 1997). Without such collaboration, regulatory adaptation will remain slow and fragmented.

### ***Institutional and Human Resource Barriers in Islamic Accounting Implementation***

Institutional limitations represent a significant barrier to the adoption of Islamic accounting in Vietnam. Most financial institutions operate under conventional systems, and there is little precedent for Shari'ah-compliant operations. Studies in similar contexts show that without institutional readiness, attempts to implement new accounting frameworks often face resistance (Abdelsalam & Weetman, 2007). Vietnamese institutions will need to undergo structural reforms to accommodate Islamic accounting standards.

Human resource development is another critical area of concern. The successful implementation of Islamic accounting requires professionals trained in both accounting and Shari'ah principles. Evidence from other jurisdictions suggests that the scarcity of such professionals slows down the integration of Islamic accounting systems (Shafii, Abidin, & Salleh, 2010). Vietnam currently lacks educational infrastructure to produce such experts, highlighting the need for curriculum development in universities.

Academic institutions play a central role in shaping the future workforce for Islamic accounting. Comparative research reveals that countries with strong academic support have advanced faster in implementing Islamic financial systems (Lewis, 2001). Vietnamese universities have the potential to contribute significantly, provided they integrate Islamic finance and accounting into their



academic offerings. Establishing research centers dedicated to Islamic finance could further support this initiative.

Professional training programs must also be introduced for practitioners already working in the financial sector. Research has shown that continuing professional development enhances the competence of accountants and auditors in applying new standards (Deegan & Unerman, 2011). For Vietnam, such programs could serve as a bridge between conventional practices and the emerging requirements of Islamic accounting.

Institutional culture poses another challenge. Organizations that prioritize profit maximization over ethical accountability may find it difficult to embrace Islamic accounting, which places strong emphasis on ethical disclosure. Studies indicate that cultural alignment is essential for the successful adoption of Shari'ah-based accounting systems (Baydoun & Willett, 1997). Institutional transformation in Vietnam would therefore require a reorientation of organizational values.

Collaboration between academia, industry, and government is vital to overcome institutional and human resource barriers. Research confirms that multi-stakeholder collaboration has been a cornerstone in the development of Islamic finance in many countries (Wilson, 2008). Vietnam's institutions must foster partnerships at both domestic and international levels to accelerate capacity building.

The role of professional bodies in standard setting cannot be overlooked. Professional associations often act as intermediaries between regulators and practitioners, facilitating the diffusion of new standards (Samaha & Khelif, 2016). In Vietnam, strengthening the role of professional accounting associations could help bridge the gap between conventional and Islamic accounting practices.

Finally, international cooperation is indispensable in addressing human resource shortages. Collaborations with countries such as Malaysia and Indonesia could provide training opportunities and exchange programs for Vietnamese professionals. Empirical studies highlight that such international linkages significantly enhance institutional capacity in developing economies (Perera, 1989). By leveraging regional expertise, Vietnam can accelerate the development of its human capital for Islamic accounting.

### ***Opportunities for Harmonization and Regional Integration***

The adoption of Islamic accounting standards in Vietnam presents significant opportunities for regional integration within ASEAN. Countries such as Malaysia and Indonesia have already developed robust frameworks for Islamic accounting, offering Vietnam a valuable reference point. Comparative studies

emphasize that regional harmonization facilitates investment flows and strengthens financial integration (Hassan & Harahap, 2010). Aligning with regional practices could thus enhance Vietnam's attractiveness as an investment destination.

Harmonization also offers the potential to build investor confidence. Investors are more likely to engage with financial institutions that demonstrate transparency and ethical accountability. Studies confirm that adherence to Islamic accounting standards enhances stakeholder trust by ensuring that financial reporting aligns with ethical principles (Maali, Casson, & Napier, 2006). Vietnam can leverage this trust to attract investment from both Muslim-majority and non-Muslim countries.

Regional integration further provides Vietnam with access to knowledge-sharing platforms. Participation in ASEAN-level initiatives could allow Vietnam to learn from best practices and adapt successful models of Islamic accounting. Research indicates that such collaborative platforms reduce implementation costs and accelerate convergence (Arun & Turner, 2009). Vietnam stands to benefit significantly from this collective learning process.

The expansion of the halal industry in Southeast Asia also creates opportunities for Vietnam. As the demand for halal products increases, companies operating in the halal sector require Shari'ah-compliant financial reporting systems. Studies highlight that the halal industry and Islamic accounting are mutually reinforcing, as both rely on principles of transparency and compliance (Wilson & Liu, 2011). Vietnam's integration into the halal value chain will therefore necessitate the adoption of Islamic accounting practices.

Globalization of financial markets offers another opportunity for Vietnam. Investors seeking ethical investment vehicles increasingly consider Shari'ah-compliant options. Research shows that Islamic accounting standards play a vital role in facilitating cross-border investments by providing comparable and reliable information (Abdelsalam, Dimitropoulos, Elnahass, & Leventis, 2016). Vietnam's alignment with these standards could open new channels for international investment.

Harmonization also contributes to the strengthening of financial stability. Studies have demonstrated that standardized accounting practices reduce systemic risks by improving transparency and comparability across institutions (Bushman & Landsman, 2010). For Vietnam, adopting Islamic accounting standards could serve as a mechanism to enhance the resilience of its financial system.

Opportunities for harmonization extend to capacity building as well. Regional cooperation can provide Vietnam with access to specialized training and

technical expertise. Evidence suggests that countries engaging in cooperative capacity building achieve faster progress in implementing new financial standards (Rosman, 2009). Vietnam's participation in such initiatives would accelerate its readiness to adopt Islamic accounting.

The long-term benefits of harmonization lie in Vietnam's potential to position itself as a regional hub for Islamic finance. With proper regulatory and institutional reforms, Vietnam could attract significant investment and play a pivotal role in advancing Islamic finance in Southeast Asia. Studies emphasize that emerging economies with proactive policies can leverage niche markets to establish competitive advantages (Chapra, 2008). Vietnam's entry into the domain of Islamic accounting presents precisely such an opportunity.

## CONCLUSION

The development of Islamic accounting standards in Vietnam is marked by both significant challenges and promising opportunities. Regulatory limitations, institutional inertia, and human resource constraints continue to pose barriers to effective implementation. The absence of specialized Shari'ah governance structures and insufficient professional training further complicate the process. Nevertheless, these challenges are not unique to Vietnam; similar issues have been experienced by other developing economies during their initial stages of Islamic accounting adoption. Strengthening regulatory frameworks, improving enforcement capacity, and establishing Shari'ah-compliant governance mechanisms are essential steps for Vietnam to align with international best practices.

Opportunities for harmonization with global Islamic accounting standards remain highly relevant, particularly in the context of ASEAN economic integration and the expansion of the halal industry. Vietnam has the potential to leverage regional cooperation, knowledge-sharing initiatives, and international investment flows to accelerate its readiness. By aligning its accounting practices with international frameworks such as AAOIFI, Vietnam can enhance financial transparency, attract cross-border investments, and establish itself as a competitive player in the Southeast Asian Islamic finance market. The findings of this study underline the need for coordinated policy reforms, institutional collaboration, and capacity-building strategies that balance ethical accountability with financial integration.

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