

## The Effect of Implementing Muamalah Principles and Sharia Accounting Literacy on the Financial Performance of MSMEs with Sharia Compliance as an Intervening Variable (A Study of MSMEs in Medan Petisah)

Mahyudin<sup>1</sup> Iskandar Muda<sup>2</sup> Andri Soemitra<sup>3</sup> Yusrizal<sup>4</sup>

Doctoral Program Students of Islamic Economics, Faculty of Islamic Economics and Business,  
UIN Sumatera Utara, Indonesia<sup>1</sup>

Lecture of Accounting, Faculty of Economics and Business, Universitas Sumatera Utara,  
Indonesia<sup>2</sup>

Lecture of Islamic Economics, Faculty of Islamic Economics and Business, UIN Sumatera  
Utara, Indonesia<sup>3,4</sup>

Email: [dosenakuntansi20@gmail.com](mailto:dosenakuntansi20@gmail.com)<sup>1</sup> [iskandar1@usu.ac.id](mailto:iskandar1@usu.ac.id)<sup>2</sup> [andrisoemitra@uinsu.ac.id](mailto:andrisoemitra@uinsu.ac.id)<sup>3</sup>  
[yusrizal@uinsu.ac.id](mailto:yusrizal@uinsu.ac.id)<sup>4</sup>

### Abstract

This study aims to analyze the effect of implementing *muamalah* principles and Sharia accounting literacy on the financial performance of Micro, Small, and Medium Enterprises (MSMEs), with Sharia compliance as an intervening variable. The research was conducted among MSME actors in the Medan Petisah subdistrict, involving 322 respondents selected using the Slovin formula. Data analysis employed Structural Equation Modeling with a Partial Least Squares (SEM-PLS) approach. The results show that the implementation of *muamalah* principles has a significant positive effect on financial performance but a negative effect on Sharia compliance. In contrast, Sharia accounting literacy has a direct negative effect on financial performance but contributes positively to Sharia compliance. Sharia compliance itself has a very strong influence on improving the financial performance of MSMEs. Path analysis reveals that Sharia compliance significantly mediates the relationship between both independent variables and financial performance. The mediation is competitive in the case of *muamalah* principles and complementary in the case of Sharia accounting literacy. These findings imply the importance of integrating Islamic values with structured Sharia compliance systems and institutional support to develop a sustainable Sharia-based MSME business model.

**Keywords:** Muamalah Principles, Sharia Accounting Literacy, Sharia Compliance, Financial Performance, MSMEs



This work is licensed under a [Creative Commons Attribution-NonCommercial 4.0 International License](https://creativecommons.org/licenses/by-nc/4.0/).

### INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of Indonesia's economy. In various fluctuating economic situations, MSMEs have proven to be the most resilient and flexible sector, playing an important role in job creation, economic equality, and poverty alleviation (Mahyudin et al., 2025). Amid various global challenges, including digital disruption and economic crisis, MSMEs continue to play a vital role in maintaining domestic economic stability. Data from the Ministry of Cooperatives and SMEs shows that more than 99% of businesses in Indonesia are MSMEs and contribute more than 60% to the national Gross Domestic Product (GDP). However, in its development, MSMEs also face various obstacles that affect their sustainability and financial performance. One of the fundamental challenges is the lack of understanding of the principles of sound and sustainable financial management. Many MSME players do not yet have a standardized accounting system, especially one that complies with sharia principles (Suretno, 2018). In fact, amid growing awareness among Muslims of the halal value chain and Islamic economics, the implementation of Islamic muamalah principles in business practices and Islamic accounting literacy has become highly relevant (Mahendra

Siregar et al., n.d.). The principles of Islamic muamalah govern human relationships in economic and financial activities based on the values of justice, honesty, transparency, and avoiding harmful practices such as usury, gharar, and maysir. These principles serve as a normative foundation that is not only spiritual in nature but also directly impacts business performance. The proper implementation of Islamic commerce principles will establish a fair transaction system and protect businesses from risks that are not considered permissible under Islamic law. Therefore, in the context of SMEs, the implementation of Islamic commerce principles is a crucial factor in shaping healthy, competitive, and sustainable business models (Rahmawati et al., 2023). On the other hand, sharia accounting literacy is an important prerequisite in ensuring that transaction recording, financial reporting, and business decision-making are carried out in accordance with Islamic values. Sharia accounting is not only about bookkeeping techniques, but also includes an understanding of moral values and ethics in every economic activity. This literacy enables SMEs to operate their businesses in a more accountable and efficient manner, thereby enhancing consumer and financial institution confidence in their businesses. Additionally, Islamic accounting literacy serves as a gateway for SMEs to access Islamic financing and Islamic-based mentoring programs (Jalil et al., 2017).

The implementation of muamalah principles and sharia accounting literacy not only has a direct impact on the financial performance of MSMEs, but is also influenced by the level of sharia compliance among business actors. Sharia compliance reflects the consistency of business actors in applying Islamic principles in all aspects of their business, from production, marketing, financial management, to consumer relations. This compliance serves as an important indicator in measuring to what extent Islamic values truly guide business practices (Khairunnisa et al., 2023). In this context, sharia compliance can function as an intervening variable that bridges the influence between muamalah principles and sharia accounting literacy on the financial performance of MSMEs. This means that the higher the level of compliance with sharia, the greater the positive impact of the implementation of Islamic values and understanding of sharia accounting on business financial results. Conversely, if compliance is low, the positive influence of these principles may not be optimal. Therefore, it is important to examine this causal relationship in greater depth in an empirical context (Rangkuty et al., 2017). Medan Petisah was chosen as the research location because it is one of the strategic areas in Medan City with a high density of MSME players. This area reflects the diversity of business sectors and backgrounds of MSME players, ranging from traditional market traders, services, to culinary and creative industries. In addition, the people of Medan Petisah have a relatively high level of religious awareness, so the potential for applying sharia principles in business is quite significant. The study in this area is expected to provide a representative picture of the influence of Islamic values on the business practices of SME operators.

The financial performance of MSMEs is an important indicator in assessing business success. This performance is not only measured in terms of profitability, but also in terms of efficiency, liquidity, solvency, and business sustainability (Fadila et al., 2024). From a sharia perspective, financial performance also includes the values of blessing (barakah), justice, and balance between material gains and social responsibility. Therefore, this study attempts to develop a sharia-based financial performance evaluation model for MSMEs, placing the principles of muamalah, sharia accounting literacy, and sharia compliance as interacting variables (Rafiqi et al., 2024). Previous studies have shown that applying Islamic principles in economic activities has a positive effect on business performance and sustainability. For example, a study by (Arief, 2021) found that MSME players who consistently apply muamalah principles experience increased customer loyalty and operational efficiency. Meanwhile, (Rahman & Sari, 2022) argues that Islamic accounting literacy can improve the quality of

financial decision-making and facilitate access to Islamic financial institutions. However, there are still few studies that integrate these three variables muamalah, Islamic accounting literacy, and Sharia compliance into a single research framework to comprehensively examine their impact on the financial performance of MSMEs (Asri et al., 2023).

This research also has high urgency in supporting the national agenda of strengthening the Islamic economy. With the increasing role of the National Committee for Islamic Economics and Finance (KNEKS) and regulatory support from the government, there is a significant opportunity for SMEs to transform into business units that are not only economically competitive but also aligned with Islamic principles. Through this research, it is hoped that an applicable and contextual approach model can be identified for strengthening SMEs based on Islamic values at the local level. Based on the above description, this study aims to: Analyze the effect of implementing muamalah principles on the financial performance of MSMEs. Analyze the effect of sharia accounting literacy on the financial performance of MSMEs. Analyze the effect of muamalah principles and sharia accounting literacy on the sharia compliance of MSMEs. Analyze the role of sharia compliance as an intervening variable in the relationship between the implementation of muamalah principles and sharia accounting literacy on the financial performance of MSMEs. With this approach, the research is expected to provide theoretical contributions to the development of Islamic economics and Islamic accounting, as well as practical contributions to SME actors, regulators, and supporting institutions. The results of this research are also expected to serve as a basis for the formulation of more targeted public policies and training programs in order to improve the competitiveness and sustainability of sharia-based SMEs.

## **RESEARCH METHODS**

This study employs a qualitative approach to examine both the direct and indirect effects among independent variables, dependent variables, and intervening variables. The data analysis technique used in this research is Path Analysis or Structural Equation Modeling Partial Least Square (SEM-PLS), which enables the researcher to test complex relationships between variables simultaneously. This approach is considered appropriate as it allows for a comprehensive understanding of the interactions among constructs within the research model. The population of this study consists of Micro, Small, and Medium Enterprises (MSMEs) located in the Medan Petisah District. Based on data from the Medan City Regional Development Planning Agency (Bappeda), there are 1,658 registered MSMEs in the area. To determine the sample size, the researcher applied the Slovin formula with a 5% margin of error and a 95% confidence level. The Slovin formula is an effective method for proportionally determining the sample size, especially when dealing with a large population. Using this formula, the resulting sample size is deemed sufficient to represent the entire population, allowing the findings to be generalized with a high degree of confidence. The detailed calculation of the sample size is presented in the following section:

$$n = \frac{N}{1 + (N \times e^2)}$$

Where:

n = Sample

N = Population

d = 5% error value

The total population desired by the author in this study is 1.658 people. Using the formula above is as follows:

$$n = \frac{1.658}{1 + (1.658 \times 0,05^2)}$$

$$n = \frac{1.658}{5,143}$$

n = 322,25 rounded up to 322 research samples.

The analysis model used to test the hypothesis in this study is multiple regression analysis using the Smart PLS application. Multiple regression analysis is a statistical method used to determine the magnitude of the influence between the independent variables, namely Implementing Muamalah Principles and Sharia Accounting Literacy on the Financial Performance of MSMEs. The multiple regression model used is as follows:

$$Y = a + b_1X_1 + b_2X_2 + e$$

Where:

Y = Financial Performance of MSMEs

a = Constant

b<sub>1</sub>-b<sub>2</sub> = Variable Coefficient

X<sub>1</sub> = Implementing Muamalah Principles

X<sub>2</sub> = Sharia Accounting Literacy

E = Error

Intervening variables are independent variables that provide a theoretical explanation of the relationship between the independent variable and the dependent variable. There are three ways to test regression with moderating variables, namely (1) interaction test, (2) absolute difference test, and (3) residual test. The test that will be carried out to test the moderating variable in this study is to use the residual test. The residual test regression equation is as follows:

$$DF = a + b_1X_1 + b_2X_2 + e \dots\dots\dots(1)$$

$$lel = a + b_2Y \dots\dots\dots(2)$$

Where:

DF = Fiscal Decentralization (Intervening Variable)

a = Constant

b<sub>1</sub>-b<sub>2</sub> = Variable Coefficient

X<sub>1</sub> = Implementing Muamalah Principles

X<sub>2</sub> = Sharia Accounting Literacy

Y = Financial Performance of MSMEs.

## RESEARCH RESULTS AND DISCUSSION

Structural Model Analysis (Inner Model)

The inner model measurement is explained by the results of the path coefficient test, goodness of fit test and hypothesis testing.

### R Square

Based on data processing that has been carried out using the smart PLS 4.0 program, the R-Square value is obtained as follows:

**Table 1. Coefficient of Determination (R-Square)**

	R-square	R-square adjusted
Financial Performance (Y)	0,829	0,828
Sharia Compliance (Z)	0,682	0,680

Source: Processed by Researchers (2025)

The criteria for R-Square are: Kriteria dari R-Square adalah untuk menunjukkan seberapa besar pengaruh variabel independen terhadap variabel dependen. Berdasarkan data dari tabel di atas, nilai Adjusted R Square untuk variabel *Sharia Compliance* sebesar 0,682 atau 68,2%, yang berarti sisanya sebesar 31,8% dipengaruhi oleh variabel lain di luar penelitian ini. Sedangkan untuk variabel *Financial Performance of MSMEs*, nilai Adjusted R Square sebesar 0,829 atau 82,9%, artinya sisanya sebesar 17,1% dipengaruhi oleh faktor lain yang tidak termasuk dalam model penelitian ini.

### Predictive Relevance (Q<sup>2</sup>)

The Q<sup>2</sup> value has the same meaning as the coefficient of determination (R-Square) in assessing a model's predictive power. A Q<sup>2</sup> value greater than 0 indicates that the model has good predictive relevance. Conversely, if the Q<sup>2</sup> value is less than 0, the model is considered to have low predictive capability. In other words, the higher the Q<sup>2</sup> value, the better the model is at explaining and predicting the dependent variable based on the independent variables. Therefore, Q<sup>2</sup> serves as an important indicator for evaluating the quality and feasibility of a model in research. Consideration of the Q<sup>2</sup> value can be done as follows

$$Q^2 = 1 - (1 - R_{12}^2) (1 - R_{22}^2) \dots (1 - R_{n2}^2)$$

$$Q^2 = 1 - (1 - 0,682) (1 - 0,829)$$

$$Q^2 = 1 - (0,318) (0,171)$$

$$Q^2 = 1 - 0,054$$

$$Q^2 = 0.945$$

Based on the results, the Q<sup>2</sup> value is 0.945, indicating that the structural model used in this study has a very strong predictive relevance. This means that all the variables in the study *Implementing Muamalah Principles, Sharia Accounting Literacy, Financial Performance of MSMEs*, and *Sharia Compliance* collectively contribute 94.5% to the explanatory power of the model. In other words, 94.5% of the variance can be explained by these four variables. The remaining 5.5% is influenced by other factors outside the current model, which presents an opportunity for future research to explore and develop additional relevant variables.

### The t-statistic test (Bootstrapping)

#### Direct Effect

To determine the results of hypothesis testing in a study, researchers examine the probability value (p-value) or the significance of the relationship between research variables. The basic criterion is that if the p-value is less than 0.05, the relationship between the variables is considered significant and can be further analyzed. Conversely, if the p-value is greater than 0.05, the relationship is deemed not significant. Significance can also be assessed using the t-statistic. If the calculated t-value is greater than the critical t-value (i.e., > 1.96 at the 5% significance level), then the relationship between variables is considered significant. Thus, whether using the p-value or the t-test approach, researchers can determine whether to accept or reject the proposed hypothesis. A significant p-value and a t-value greater than 1.96 serve as the basis for drawing conclusions regarding the validity of the relationships in the tested research model. The hypothesis test results are presented in the table below:

Table 2 Direct Effect

Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values	Diskription
---------------------	-----------------	----------------------------	--------------------------	----------	-------------

Implementing Muamalah Principles (X1) -> Financial Performance (Y)	<b>0,351</b>	<b>0,350</b>	<b>0,075</b>	<b>4,659</b>	<b>0,000</b>	<b>Signifikan</b>
Implementing Muamalah Principles (X1) -> Sharia Compliance (Z)	<b>-0,659</b>	<b>-0,649</b>	<b>0,087</b>	<b>7,623</b>	<b>0,000</b>	<b>Signifikan</b>
Sharia Compliance (Z) -> Financial Performance (Y)	<b>1,165</b>	<b>1,172</b>	<b>0,062</b>	<b>18,901</b>	<b>0,000</b>	<b>Signifikan</b>
Sharia Accounting Literacy (X2) -> Financial Performance (Y)	<b>-0,575</b>	<b>-0,578</b>	<b>0,110</b>	<b>5,208</b>	<b>0,000</b>	<b>Signifikan</b>
Sharia Accounting Literacy (X2) -> Sharia Compliance (Z)	<b>1,301</b>	<b>1,296</b>	<b>0,087</b>	<b>14,889</b>	<b>0,000</b>	<b>Signifikan</b>

Source: Smart PLS 4.0 2025 processed data

1. The first hypothesis from the analysis calculations performed on 322 data samples processed using the Smart PLS application shows the results as shown in the table above, indicating that the implementation of muamalah principles is significantly related to the financial performance of MSMEs. This can be seen from the significant value of 0.000, which is less than 0.05, and the t-value, which is greater than the t-table value ( $4.659 > 1.96$ ). Furthermore, the original sample value of 0.351 indicates that the direction of the relationship between the implementation of muamalah principles and the financial performance of MSMEs is positive, so it can be concluded that the first hypothesis is accepted.
2. The second hypothesis from the analysis calculations performed on 322 data samples processed using the Smart PLS application shows the results as shown in the table above, indicating that the implementation of muamalah principles is significantly related to sharia compliance. This can be seen from the significant value of 0.000, which is less than 0.05, and the t-value, which is greater than the t-table value ( $7.623 > 1.96$ ). Furthermore, the original sample value of -0.659 indicates that the direction of the relationship between the implementation of muamalah principles and sharia compliance is negative, so it can be concluded that the second hypothesis is accepted.
3. The third hypothesis from the analysis calculations performed on 322 data samples processed using the Smart PLS application shows the results as shown in the table above, indicating that the sharia compliance variable is significantly related to the financial performance variable of MSMEs. This can be seen from the significant value of 0.000, which is less than 0.05, and the t-calculated value, which is greater than the t-table value ( $18.901 > 1.96$ ). Furthermore, the original sample value of 1.165 indicates that the direction of the relationship between sharia compliance and the financial performance of MSMEs is positive, so it can be concluded that the third hypothesis is accepted.
4. The fourth hypothesis from the analysis calculations performed on 322 data samples processed using the Smart PLS application shows the results as shown in the table above, indicating that the variable of Islamic financial literacy is significantly related to the variable of MSME financial performance. This can be seen from the significant value of 0.000, which is less than 0.05, and the t-calculated value, which is greater than the t-table value ( $5.208 > 1.96$ ). Furthermore, the original sample value of -0.575 indicates that the direction of the relationship between Islamic financial literacy and the financial performance of SMEs is negative, thus concluding that the fourth hypothesis is accepted.
5. The fifth hypothesis from the analysis calculations performed on 322 data samples processed using the Smart PLS application shows the results as shown in the table above, indicating that the variable of Islamic financial literacy is significantly related to the variable

of MSME financial performance. This can be seen from the significant value of 0.000, which is less than 0.05, and the t-calculated value, which is greater than the t-table value ( $21.754 > 1.96$ ). Furthermore, the original sample value of 1.301 indicates that the direction of the relationship between Islamic financial literacy and the financial performance of SMEs is positive, thus concluding that the fifth hypothesis is accepted.

### Testing the Moderating Effect

The moderation effect test in this study aims to confirm whether sharia compliance truly acts as a bridge connecting the implementation of muamalah principles and sharia financial literacy with the financial performance of MSMEs. Using a SEM PLS-based path analysis approach, direct and indirect path coefficients are measured and then compared through Sobel and bootstrapping tests to assess the strength of mediation. Significance values below the 0.05 threshold indicate that financial accountability successfully strengthens the influence of independent variables on dependent variables.

**Table 3. Indirect Effect**

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values	Diskription
Implementing Muamalah Principles (X1) -> Sharia Compliance (Z)-> Financial Performance (Y)	-0,768	-0,760	0,108	7,136	0,000	Signifikan
Sharia Accounting Literacy (X2) -> Sharia Compliance (Z) -> Financial Performance (Y)	1,515	1,518	0,120	12,649	0,000	Signifikan

Source: Smart PLS 4.0 2025 processed data

6. The sixth hypothesis from the analysis calculations performed on 322 data samples processed using the Smart PLS application shows the results as shown in the table above, indirectly indicating that the implementation of muamalah principles is significant for the financial performance of MSMEs through sharia compliance. This can be demonstrated by the significant value of 0.000, which is less than 0.05, and the calculated t-value, which is greater than the table t-value ( $7.136 > 1.96$ ). Furthermore, the original sample value of -0.768 indicates that the direction of the relationship between the implementation of muamalah principles and the financial performance of SMEs through sharia compliance is negative, thus concluding that the sixth hypothesis is accepted.

The seventh hypothesis from the analysis calculations performed on 322 data samples processed using the Smart PLS application shows the results as shown in the table above, indirectly indicating that the variable of Islamic financial literacy is significant to the variable of MSME financial performance through sharia compliance. This can be demonstrated by the significant value of 0.000, which is less than 0.05, and the calculated t-value, which is greater than the table t-value ( $12.649 > 1.96$ ). Furthermore, the original sample value of 1.515 indicates that the direction of the relationship between Islamic financial literacy and the financial performance of SMEs through sharia compliance is positive, thus concluding that the seventh hypothesis is accepted.

### Discussion

#### The Effect of Implementing Muamalah Principles on the Financial Performance of MSMEs



The results of this study indicate that the implementation of muamalah principles has a positive and significant effect on the financial performance of MSMEs. With a coefficient value of 0.351, a t-statistic of 4.659, and a p-value of 0.000, it can be concluded that the more consistently an MSME applies muamalah principles in its business practices, the better its financial performance will be. The principles of muamalah referred to include fundamental Islamic values such as honesty (shidq), justice ('adl), prohibition of usury, and maintaining trust and responsibility in transactions. The strong application of muamalah principles creates trust between SME actors and stakeholders, such as consumers, suppliers, investors, and financial institutions. This trust is an important asset in maintaining cash flow stability, increasing customer loyalty, and strengthening business reputation. When transactions are conducted fairly and transparently, financial risks such as bad debt, business conflicts, and fraud can be minimized. This supports the creation of a healthy and sustainable SME financial system. Supporting research for this study was conducted by (Syamsuddin et al., n.d.) The application of sharia green economy principles in developing SME productivity can be achieved through strategic steps that include sustainable business practices, fairness, transparency, and community empowerment. Additional supporting research was conducted by (Ulufal Qolbi et al., 2023) In terms of market mechanisms in Islamic concepts, Sharia economic principles will be reflected in both macro and micro terms. Sharia economic principles that should be known and applied by traders in traditional markets are the principles of tawhid, justice, maslahat, ta'awun, and balance.

### **The Effect of Implementing Muamalah Principles on Sharia Compliance**

The results of this study reveal interesting and somewhat paradoxical findings regarding the relationship between the implementation of Muamalah principles and Sharia compliance in the context of MSMEs. With a significant negative coefficient value of -0.659 and a t-statistic of 7.623, it can be concluded that the higher the level of implementation of muamalah principles in business activities, the more inversely related it is to the level of formal Sharia compliance. This indicates that the application of Muamalah principles among SME practitioners is not yet fully grounded in a comprehensive understanding of the Sharia legal and ethical system. Many business actors may practice principles such as honesty, prohibition of usury, or fairness in transactions traditionally or because of local cultural heritage, not because of awareness or commitment to standardized Sharia law, as stipulated by DSN-MUI fatwas or other formal regulations. This phenomenon highlights the gap between practice and awareness of Sharia law. Business practices that are passed down through generations or based on local customs are often not linked to the more formal framework of Sharia law. However, in the context of modern Islamic economics, Sharia compliance not only encompasses ethical behavior but also requires adherence to normative standards and formal legal documents, such as contracts, Sharia financial reports, and compliance with regulations of Sharia financial institutions. Research findings expressing the same opinion were conducted by (Yurisprudensi et al., 2023) Murabahah contracts are the most dominant in Islamic financial institutions due to their simplicity, both in terms of administration and customer understanding. However, the application of mudharabah and musyarakah contracts still faces challenges such as the complexity of profit-sharing mechanisms, limited supervision, and differences in the interpretation of sharia principles. Therefore, legal evaluation and reconstruction are needed to ensure that the implementation of contracts is in accordance with sharia principles and the needs of the modern financial market.



**The Effect of Sharia Compliance on the Financial Performance of MSMEs**

The results of the study indicate that the Sharia Compliance variable (Z) has a very strong positive influence on the Financial Performance of MSMEs (Y), with a coefficient value of 1.165 and a t-statistic value of 18.901. The t-statistic value, which is far above the significance threshold (usually 1.96 for a 5% significance level), indicates that the relationship between Sharia compliance and financial performance is not only statistically significant but also very strong in practical terms. This finding provides important insight that SMEs that consistently apply Sharia principles in their business practices can create a tangible impact on the financial aspects of their businesses. Compliance with Sharia principles is not limited to legal-formal aspects but also reflects integrity, business ethics, and social responsibility. Practices such as avoiding usury, uncertainty, and prohibited transactions provide a strong foundation for SMEs to build a healthy, transparent, and fair financial system. In the context of Muslim consumers who are increasingly selective about products and services that align with Islamic values, a high level of Sharia compliance enhances customer trust and loyalty. This directly impacts increased revenue, cash flow stability, and operational efficiency, ultimately strengthening overall financial performance. Research highlighting Sharia transactions was conducted by (Suretno & Bustam, 2020) Financing for MSMEs by Islamic banks plays a very important role. With this financing, Islamic banks can develop the community's economy and also reduce poverty and absorb a large workforce, thereby automatically reducing unemployment.

**The Effect of Sharia Accounting Literacy on the Financial Performance of MSMEs**

The results of this study reveal a surprising yet important finding that warrants further exploration: there is a significant negative correlation between Sharia Accounting Literacy and the Financial Performance of SMEs, with a coefficient of -0.575 and a t-statistic value of 5.208. This finding suggests that increased understanding of Sharia accounting among SME operators does not automatically lead to improved financial performance. On the contrary, increased literacy without technical capabilities and institutional support can create additional burdens that negatively affect productivity and business performance. One of the main explanations for this result is that understanding the principles and procedures of Islamic accounting can cause psychological and administrative pressure for SME actors who do not yet have the capacity to implement them. When business operators realize that their business processes are not in line with sharia principles or that their reporting does not meet sharia standards, this can create anxiety, self-doubt, or even fear of social or regulatory sanctions. Additionally, without training, mentoring, and an appropriate accounting system, the understanding gained cannot be translated into effective practice, thereby burdening business operations. In the context of MSMEs, particularly in developing areas such as Medan Petisah, limited human resources, low access to technology, and minimal training facilities make literacy alone ineffective in driving performance improvement. This highlights the importance of synergizing sharia literacy education with structural support, such as providing user-friendly sharia accounting software, regular technical training, and guidance from sharia financial institutions or government agencies. Research conducted by (Syadiah et al., 2020) The level of Islamic financial literacy among MSME actors in Jepara District is classified as high. Financial knowledge has a positive and significant effect on the development of MSMEs in Jepara District, indicating that the average MSME actor in Jepara District already has knowledge of finance and is also familiar with the products and services of Islamic financial institutions, whereby the better one's financial knowledge, the better one is at developing one's business.

**The Influence of Sharia Accounting Literacy on Sharia Compliance**

The results of this study indicate that Sharia Accounting Literacy has a very strong positive influence on Sharia Compliance among MSME actors, as shown by a coefficient value of 1.301 and a t-statistic of 14.889. This finding confirms that improving understanding of Sharia-based accounting principles and practices will encourage business actors to be more compliant in running their businesses in accordance with Islamic values. Sharia accounting literacy is not merely a technical ability in recording transactions, but also reflects spiritual awareness and Islamic business ethics in managing business finances. MSME actors with high levels of sharia accounting literacy tend to have a good understanding of various sharia instruments and principles, such as the prohibition of usury, the requirement for fair and transparent transactions, and the importance of accountable financial reporting. With this understanding, they will be more motivated to implement an accounting system that aligns with Islamic values, thereby creating a more honest, responsible, and sustainable business process (Chrisna et al., 2023). On the other hand, this literacy also encourages business actors to be more sensitive to religious obligations in their economic activities. Knowledge of Islamic accounting is an important tool in maintaining business integrity and avoiding practices that conflict with Islamic law. Compliance with Islamic principles is not only a form of spiritual obedience, but also a strategy for building consumer trust, especially among the Muslim segment of society, which is increasingly aware of the importance of halal and thayyib transactions.

**Implementation of Muamalah Principles on Financial Performance Through Sharia Compliance**

The results of this study indicate that the implementation of muamalah principles has a complex effect on the financial performance of MSMEs, especially when mediated by the variable of sharia compliance. Directly, the implementation of muamalah principles has a positive effect on financial performance (coefficient +0.351). This means that SMEs that apply the fundamental values of muamalah, such as honesty, prohibition of usury, and fairness in transactions, have the potential to improve business performance. However, when sharia compliance acts as a mediator, the direction of the relationship changes significantly. The indirect effect of muamalah implementation on financial performance through sharia compliance is negative at -0.768. Thus, the total combined effect is only +0.417, indicating inconsistent competitive mediation. The substantive meaning of this finding is that the informal or traditional application of muamalah principles, without adequate compliance systems, can have counterproductive effects. For example, merely avoiding riba and gharar without clear transaction records, Sharia audits, or compliance with halal standards can lower the Sharia compliance score of SMEs. This low compliance then reduces the credibility of the business in the eyes of consumers and Sharia financing institutions, ultimately weakening financial performance (Nopriyanto, 2024). From a managerial perspective, this implies that muamalah training for MSME actors should not only emphasize normative aspects or basic Islamic values. It is necessary to integrate these principles into management systems and formal compliance, such as standard operating procedures (SOPs), halal certification, and sharia compliance audits. Without such institutionalization efforts, muamalah principles could become a “double-edged sword”: on one hand, they provide moral value, but on the other hand, they risk undermining business performance if not accompanied by adequate administrative compliance.

**Literasi Akuntansi Syariah terhadap Kinerja Keuangan melalui Kepatuhan Syariah**

The results of the study indicate that Islamic accounting literacy has a positive influence on sharia compliance, which in turn contributes significantly to improving the financial

performance of MSMEs. The mediation coefficient of +1.515 shows that the indirect influence of Islamic accounting literacy on financial performance through sharia compliance is much greater than its direct influence, which is negative (-0.575). This phenomenon reflects a complementary (reinforcing) mediation, where initial understanding of Islamic accounting may impose adaptation costs, such as due to the complexity of reporting standards or administrative costs, but when combined with increased compliance, the effect becomes highly positive. Substantively, this indicates that the higher the level of Islamic accounting literacy among SME actors, the higher their level of compliance with Islamic principles and regulations. In this context, compliance is not merely a normative aspect but a strategic mechanism that drives efficiency, transparency, and customer trust. Sharia compliance serves as a key lever unlocking the latent benefits of sharia accounting literacy. In other words, literacy alone is insufficient without actual implementation through compliance. The managerial implications of this finding are clear. Sharia accounting literacy programs should be designed not merely as theoretical knowledge enhancement but must be accompanied by practical supporting tools such as sharia-based financial statement templates, simple sharia accounting software, and mentoring services for SMEs. This aims to accelerate the transition from knowledge to actual compliance while reducing learning costs, which often act as barriers. By reducing the initial implementation burden and accelerating the achievement of financial benefits, SMEs will be more motivated to transform toward accounting practices that align more closely with Sharia principles.

## CONCLUSION

This study provides a comprehensive understanding of how Islamic values particularly through the implementation of *muamalah* principles and Sharia accounting literacy affect the financial performance of MSMEs in Medan Petisah. The key conclusions are as follows:

1. The implementation of *muamalah* principles significantly and positively impacts MSMEs' financial performance, indicating that values such as honesty, fairness, and the avoidance of *riba* can improve efficiency and trust in business activities.
2. Interestingly, the implementation of *muamalah* principles negatively affects Sharia compliance, suggesting a gap between traditional Islamic practices and formal understanding of Sharia law. This highlights the need for education and standardization to ensure proper alignment with Sharia regulations.
3. Sharia accounting literacy has a negative direct effect on financial performance. This may reflect the administrative burdens and psychological pressure on MSME actors when facing complex standards without sufficient support or capacity.
4. Sharia compliance plays a crucial role in mediating and strengthening the effects of the main variables on financial performance. With a significantly high coefficient, this variable is a critical indicator of a successful Sharia-compliant business system.
5. The study reveals a competitive mediation effect in the relationship between *muamalah* principles and financial performance via Sharia compliance, and a complementary (reinforcing) mediation effect in the relationship between Sharia accounting literacy and financial performance through Sharia compliance.

In summary, enhancing the financial performance of Sharia-based MSMEs requires more than just value-oriented or literacy-based approaches. It necessitates a structured compliance system, continuous training, supportive regulations, and appropriate technological tools to facilitate implementation and ensure long-term sustainability.

**BIBLIOGRAPHY**

- Asri, N., Ekonomi, H. A.-J. W., & 2024, undefined. (n.d.). Pengaruh Fintech Syariah Terhadap Peningkatan Inklusi Keuangan Bagi Pelaku Umkm (Studi Kasus P2P Financing Syariah di Indonesia). Jim.Unisma.Ac.Id. Retrieved July 5, 2025, from <https://jim.unisma.ac.id/index.php/jwe/article/view/24372>
- Chrisna, H., ... H. H.-N. J. I., & 2023, undefined. (n.d.). Pengaruh Literasi Keuangan Syariah Terhadap Perkembangan Usaha Pelaku Umkm Di Desa Pematang Serai. Jurnal.Um-Tapsel.Ac.Id. <https://doi.org/10.31604/jips.v10i2.2023.1010-1015>
- Fadila, Z., Mahyudin, M., & Martin, M. (2024). Efektivitas Penerapan E-Commerce Dalam Perkembangan Usaha Mikro Kecil dan Menengah di Kota Medan. Innovative: Journal Of Social Science Research, 4(4), 10245–10256. <https://doi.org/10.31004/INNOVATIVE.V4I4.14384>
- Jalil, A., Syariah, S. H.-J. I. P. dan K., & 2020, undefined. (2017). Pengaruh Bagi Hasil Dan Kebutuhan Modal Terhadap Minat Umkm Mengajukan Pembiayaan Pada Lembaga Keuangan Syariah Di Kota Palu. Jurnaljipsya.Org, 10(2). <http://www.jurnaljipsya.org/index.php/jipsya/article/view/31>
- Kecamatan, D. I., Surepno, J., Siti, D., & Sa'diyah, H. (n.d.). Tingkat Literasi Keuangan Syariah Pelaku Umkm Dan Pengaruhnya Terhadap Perkembangan Umkm Di Kecamatan Jepara. Journal.Uinsgd.Ac.Id. Retrieved July 5, 2025, from <https://journal.uinsgd.ac.id/index.php/aksy/article/view/17108>
- Khairunnisa, D., Islam, N. N.-J. I. E., & 2023, undefined. (n.d.). Pembiayaan Dan Keuangan Syariah: Menopang UMKM Dalam Fase Pemulihan Perekonomian (Economic Recovery) Indonesia. Jurnal.Stie-Aas.Ac.Id. <https://doi.org/10.30868/ad.v3i01.752>
- Mahendra Siregar, M., Haekal Matondang, M., Khadijah Barus, S., Mutiara Sipa, T., Peranan Kelompok Kkn, A., Dalam Membantu Peningkatan UMKM Dengan Pendekatan Akuntansi Syariah, U., Serta Kesejahteraan Di Desa Sampe Raya Kecamatan Bahorok, K., & Kamilah, L. (n.d.). Analisis Peranan Kelompok Kkn 154 UINSU Dalam Membantu Peningkatan UMKM Dengan Pendekatan Akuntansi Syariah, Kesehatan Serta Kesejahteraan Di Desa. Jahe.or.Id, 3(2), 510–519. Retrieved July 5, 2025, from <http://jahe.or.id/index.php/jahe/article/view/263>
- Mahyudin, Nazah, K., & Agustina, A. (2025). Analysis of Digital Transformation Challenges in Mediating Accounting Digitalization and Electronic Commerce (E-Commerce) on Technology- Based Entrepreneurship in Micro, Small and Medium Enterprises in Medan City. JAMPARING: Jurnal Akuntansi Manajemen Pariwisata Dan Pembelajaran Konseling, 3(1), 299–311. <https://doi.org/10.57235/JAMPARING.V3I1.4993>
- Nopriyanto, A. (2024). PENINGKATAN LITERASI AKUNTANSI PADA UMKM MELALUI PELATIHAN PENGELOLAAN KEUANGAN SEDERHANA DI WILAYAH PEDESAAN. <https://idm.or.id/JCS/index.php/JCS/article/view/300>
- Rafiqi, I., Economic, M. J.-A. J. of I., & 2024, undefined. (n.d.). Problem Minimnya Minat Pengambilan Pembiayaan Di Perbankan Syariah: Studi Kasus UMKM Furniture Di Kabupaten Sumenep. Ejournal.Unia.Ac.Id. <https://doi.org/10.22515/shirkah.v9i2.671>
- Rahmawati, L., Dwi Rahayu, D., Nivanty, H., Lutfiah, W., Prodi, M., Sunan, U., & Surabaya, A. (n.d.). Fintech syariah: manfaat dan problematika penerapan pada UMKM. Journal.Um-Surabaya.Ac.Id. <https://doi.org/10.36778/jesya.v3i1.132>
- Rangkuty, D., ... A. Z.-D. S., & 2020, undefined. (2017). Perbandingan Modal Ventura Konvensional dan Syariah: Studi Literatur Model Pembiayaan Startup dan UMKM di Provinsi Sumatera Barat. Download.Garuda.Kemdikbud.Go.Id, 10(2). <http://download.garuda.kemdikbud.go.id/article.php?article=1679845&val=18251&titl>
-

e=Perbandingan%20Modal%20Ventura%20Konvensional%20dan%20Syariah%20%20  
Studi%20Literatur%20Model%20Pembiayaan%20Startup%20dan%20UMKM%20di%  
20Provinsi%20Sumatera%20Barat

- Suretno, S. (2018). Pelaksanaan musyarakah di bank syariah mandiri (kajian prinsip keadilan dan kepatuhan syariah).  
<https://repository.uinjkt.ac.id/dspace/handle/123456789/52684>
- Ulufal Qolbi, A., Awali, H., Stiawan, D., Sista Devy, H., & Abdurrahman Wahid Pekalongan, U. K. (2023). Penerapan prinsip-prinsip ekonomi syariah pada pasar tradisional di Indonesia. E-Journal.Uingusdur.Ac.Id, 2(1). <https://e-journal.uingusdur.ac.id/sahmiyya/article/view/868>
- Yurisprudensi, J., dan Peradilan, H., Akad Syariah Di Lembaga Keuangan Syariah, I., & Strategi Peningkatan Literasi Keuangan Syariah Taufik Hidayat Harahap Sekolah Tinggi Agama Islam Tapaktuan, D. (2023). Implementasi Akad Syariah Di Lembaga Keuangan Syariah: Tantangan, Regulasi, Dan Strategi Peningkatan Literasi Keuangan Syariah. Jurnal.Kalimasadagroup.Com. <https://doi.org/10.59966/yudhistira.v1i2.1640>