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Digital Transformation for Sustainability Reporting and ESG Disclosure in Islamic Accounting: A Systematic Literature Review

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Abstract−This study aims to identify research trends regarding digital transformation, sustainability reporting, and ESG disclosure in the context of Islamic accounting. The method used is Systematic Literature Review (SLR) with reference to the PRISMA 2020 guidelines. Articles were obtained through Google Scholar, Scopus, and Dimensions databases with a publication range of 2020–2025. The selection process was carried out using the inclusion and exclusion criteria that had been set, resulting in 20 articles that were eligible for analysis. The analysis was carried out using a thematic analysis approach to identify the main themes, relationships between concepts, and the direction of research development. The results of the study show that digital transformation plays a role in improving the efficiency of accounting systems, information transparency, and the quality of sustainability reporting in Islamic financial institutions. In addition, ESG disclosure is increasingly integrated with sharia principles through strengthening Shariah governance. The study also found that research linking digital transformation, sustainability reporting, ESG disclosure, and Shariah governance simultaneously is still relatively limited. Therefore, this study provides a mapping of the literature and identifies research opportunities that can be developed in the future in order to support the sustainable development of Islamic accounting in the digital era.

Keywords: Digital Transformation; Sustainability; Sharia Accounting; ESG; Islamic Finance

1. INTRODUCTION

The development of digital technology has fundamentally changed the way organizations carry out business activities, including in the fields of accounting, financial reporting, auditing, risk management, and corporate governance. Technological advances such as artificial intelligence (AI), big data analytics, blockchain, cloud computing, Internet of Things (IoT), machine learning, and financial technology (fintech) have encouraged the creation of a more integrated, fast, and data-based business environment (Verhoef et al., 2021). In the context of sharia accounting, digital transformation not only plays a role in improving operational efficiency, but also supports the application of sharia principles through increased transparency, accountability, and effectiveness of transaction supervision. In addition, digitalization has transformed the role of accountants from historical information providers to strategic partners capable of producing predictive information and supporting data-driven decision-making (Unal & Aysan, 2022).

Digital transformation also encourages the modernization of the Islamic financial sector through the development of financial services that are more inclusive and adaptive to the needs of the community. Various studies show that digitalization contributes to improving service quality, operational efficiency, and expanding access to Islamic financial products and services (Manik & Firdaus, 2024). In line with these developments, attention to *sustainability* issues is also increasing and has become an important part of modern organizational strategies. The concept of sustainability emphasizes the importance of balancing economic, social, and environmental aspects in creating long-term value for organizations and society. Therefore, organizations are no longer judged solely on financial performance, but also on their contribution to social welfare and environmental preservation (Harahap & Risfandy, 2023a).

The development of digital technology provides significant support for the implementation of sustainability practices, especially in the field of corporate reporting and disclosure. The use of digital technology allows the process of collecting, processing, and presenting sustainability data to be carried out more quickly, accurately, and transparently. Technologies such as blockchain and artificial intelligence are considered to be able to improve data integrity and reduce the risk of errors and information manipulation (Alsalih, 2026). In addition, real-time integration of information systems allows organizations to monitor and evaluate sustainability performance more effectively (Oliveira et al., 2026). Thus, digital transformation not only improves operational efficiency, but also supports the creation of a more accountable and sustainability-oriented reporting system.

In the perspective of Islamic accounting, the relationship between digital transformation and sustainability has a very strong relevance. Sharia accounting is based on the principles of justice (*adl*), trust, accountability (*hisab*), and benefit (*maslahah*) which are in line with the goals of sustainable development. Therefore, the use of digital technology in Islamic financial institutions has the potential to support the achievement of sustainability goals through improving the quality of governance, transaction transparency, the effectiveness of Islamic supervision, and the quality of sustainability reporting (Fitriani et al., 2025; Ashraf et al., 2025a).

The concept *of digital sustainability* also emphasizes that digital technology not only functions as an operational tool, but also as a strategic instrument in creating economic, social, and environmental value in a sustainable manner (Guandalini, 2022).

Previous research shows that digitalization in Islamic financial institutions is able to increase financial inclusion, service efficiency, and support the achievement of sustainability goals (Ashraf et al., 2025b). In addition, the use of the Internet of Things, blockchain, and artificial intelligence has been proven to improve the quality of accounting information systems and sustainability reporting (Sihombing et al., 2025). However, the implementation of digital transformation in sharia accounting still faces various challenges, such as limited digital infrastructure, low technological literacy, cybersecurity risks, and the need to ensure that technological innovations remain in accordance with sharia principles (Supriadi et al., 2023a). The development of research on digital transformation, sustainability, and ESG in Islamic finance shows an increasing trend in recent years. A literature review conducted by Wardiman et al. (2024) shows that ESG research in Islamic financial institutions is still dominated by governance and sustainability performance issues. Meanwhile, Unal and Aysan (2022) emphasize the role of digitalization and fintech in improving the efficiency of Islamic financial services. On the other hand, research on sustainability reporting in the context of sharia accounting tends to focus on aspects of disclosure of sustainability and sharia compliance. These findings show that previous research generally examined digital transformation, sustainability, and ESG as stand-alone themes, so the relationship between the three concepts has not been explored in an integrated manner.

Although research on digital transformation, sustainability, and Environmental, Social, and Governance (ESG) in Islamic finance continues to grow, most research still addresses the three aspects separately. Research that comprehensively integrates digital transformation, sustainability, and ESG in the perspective of sharia accounting is still relatively limited (Nurrahma et al., 2025). In addition, the use of cutting-edge technologies such as blockchain, artificial intelligence, machine learning, and sustainability analytics in supporting sharia-based sustainability reporting has not been explored in depth. This condition shows that there is a research gap that requires a more comprehensive synthesis of literature to understand research developments, dominant themes, and future research directions. In contrast to previous research which generally only discusses one aspect separately, this study presents a synthesis of literature that connects digital transformation, sustainability reporting, ESG disclosure, and Shariah governance in the context of sharia accounting. Thus, this study not only identifies the dominant themes in the literature, but also maps the interrelationships between concepts that are the basis for the development of sharia accounting models that are more adaptive to digital transformation and global sustainability demands.

Based on the research gaps that have been identified, this study aims to analyze the development of research on digital transformation, sustainability reporting, and ESG disclosure in the context of Islamic accounting. In particular, this study seeks to identify research trends that developed during the period 2020–2025, map the dominant themes that are the focus of the study, and analyze the relationship between digital transformation, sustainability reporting, ESG disclosure, and Shariah governance. In addition, this research also aims to identify opportunities and research agendas that are still open to support the development of sharia accounting that is more adaptive to the advancement of digital technology and global sustainability demands.

2. RESEARCH METHODS

2.1 Research Design

This study uses the Systematic Literature Review (SLR) method with reference to the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA 2020) guidelines to ensure that the process of identification, screening, feasibility, and inclusion of articles is carried out systematically and transparently (Page et al., 2021). This approach was chosen because it allows for a comprehensive literature synthesis and facilitates the identification of research trends, dominant themes, and research gaps in the fields of digital transformation, sustainability reporting, ESG disclosure, and sharia accounting (Snyder, 2019).

2.2 Data Collection

Literature search is carried out through several reputable academic databases, namely Google Scholar, Scopus, and Dimensions. The use of more than one database aims to increase the coverage of the literature as well as minimize the risk of missing relevant articles. The search was conducted in May 2026 using a combination of keywords: *"Islamic accounting" OR "Shariah accounting" AND "digital transformation" OR "digitalization" AND "sustainability reporting" OR "ESG disclosure" OR "Islamic finance"*. The literature searched was limited to journal articles published in English and Indonesian during the period 2020–2025.

2.3 Article Selection

The article selection process is carried out in stages to ensure the quality and relevance of the sources used. Inclusion criteria include: (1) articles that discuss digital transformation, sustainability, ESG, Islamic accounting, or Islamic finance; (2) articles published in reputable scientific journals; (3) articles available in *full text*; (4) articles published in the period 2020–2025; and (5) articles written in Indonesian or English. On the other hand, articles that are not relevant to the focus of the research, opinion articles, editorials, and publications that do not provide adequate methodological information are excluded from the selection process. Based on the initial search results through Google Scholar, a number of articles were obtained which were then selected based on the relevance of the title, abstract, and content of the article. After going through the evaluation process, as many as 20 articles were selected as the main source of analysis because they are directly related to the themes of digital transformation, sustainability, ESG, and sharia accounting.

The article selection process follows the guidelines of PRISMA 2020. The figure below will illustrate the stages of identification, screening, feasibility, and inclusion used in this study.

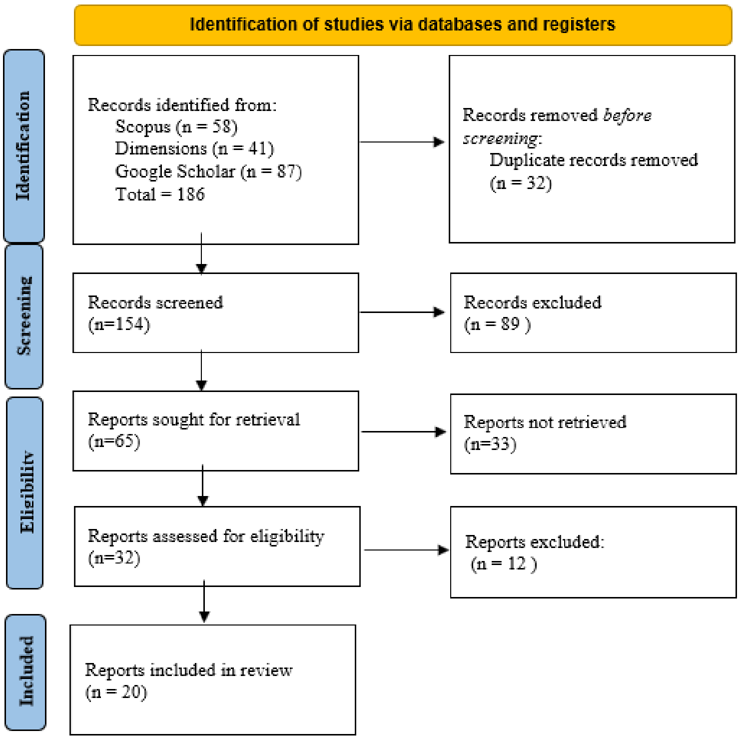

Figure 1. PRISMA Flow Diagram
Source: Compiled by the authors from selected literature (2020-2025).

2.4 Data Analysis

Data analysis was carried out using a thematic analysis approach to identify patterns and themes that appeared in the literature studied (Braun & Clarke, 2022). The first stage is done by thoroughly reading each article to identify the research objectives, methods used, focus of the study, and key findings. The second stage is carried out by grouping articles based on the similarity of the research theme. The third stage is carried out by synthesizing research results to identify the relationship between digital transformation, sustainability, ESG, and sharia accounting. The last stage is to identify research *gaps* and formulate future research agendas based on themes that are still limited in the literature.

2.5 Research Themes

Based on the results of the analysis, the selected articles can be grouped into several main themes. The first theme is related to digital transformation in the Islamic accounting and financial reporting system. The second theme discusses sustainability reporting and sustainability disclosure in Islamic financial institutions. The third theme focuses on the implementation of ESG in Islamic finance practices. The fourth theme examines the use of digital technology such as blockchain, artificial intelligence, fintech, and big data in supporting the governance and transparency of Islamic accounting. The fifth theme highlights the role of Shariah governance in supporting technology integration and sustainability in Islamic financial institutions.

2.6 Research Quality and Limitations

To maintain the quality of the sources used, each article is evaluated based on topic relevance, methodological clarity, theoretical contribution, and journal publication quality. Articles that do not meet these quality standards are excluded from the analysis process. However, this study has some limitations. First, the data source only comes from articles found through Google Scholar so there is still a possibility of relevant articles that are not identified. Second, the study only used 20 articles that met the selection criteria, so the results of the study did not fully represent the entire development of the global literature. Third, the research period is limited to 2020–2025 so it does not include research published before that period. Although the number of articles that met the inclusion criteria was relatively limited (n = 20), the selected articles had a high relevance to the research focus and were used to gain a conceptual understanding of the relationship between digital transformation, sustainability reporting, ESG disclosure, and sharia accounting. Therefore, the research findings need to be interpreted as a description of the development of the literature in the scope studied, rather than as a comprehensive representation of the entire global research.

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3. RESULTS AND DISCUSSION

3.1. Result

Based on the literature search and selection process conducted through Google Scholar, 20 articles were obtained that met the inclusion criteria and were used as the main source in this study. The articles were published in the period 2020–2025 and discuss various aspects related to digital transformation, sustainability, Environmental, Social, and Governance (ESG), and sharia accounting. Analysis of the selected articles shows that research in this area has undergone significant development in recent years as organizations increase in need of a more transparent, accountable, and sustainable reporting system.

In general, the results of the study show that digital transformation has become one of the main factors driving changes in Islamic accounting practices. Various technologies such as artificial intelligence, blockchain, cloud computing, big data analytics, and financial technology (fintech) are used to improve the efficiency of accounting processes, the quality of financial reporting, and the effectiveness of organizational decision-making (Verhoef et al., 2021; Unal & Aysan, 2022). In addition, the use of digital technology also supports increasing transparency and accountability of Islamic financial institutions through the provision of faster, more accurate, and more accessible information to stakeholders.

The results of the literature synthesis show that the theme of sustainability is becoming an increasingly dominant research focus. Various studies explain that Islamic financial institutions are beginning to integrate environmental, social, and governance aspects into their reporting practices as a form of responsibility for sustainable development (Harahap & Risfandy, 2023a). Sustainability reporting is not only used as a means of non-financial reporting, but also as an instrument to increase organizational legitimacy and strengthen stakeholder trust.

Another theme that is widely discussed is the integration of ESG in Islamic finance. The results of the study show that ESG principles have a strong alignment with sharia values because they both emphasize the aspects of justice, transparency, social responsibility, and sustainability. A number of studies have found that ESG implementation contributes to improving the quality of governance, risk management, and organizational sustainability performance (Ashraf et al., 2025a; Fitriani et al., 2025). Thus, ESG is not only seen as a regulatory demand, but also as part of a long-term value creation strategy in Islamic financial institutions.

In addition, the results of the analysis show that the development of fintech, blockchain, and artificial intelligence has opened up new opportunities for the transformation of the Islamic accounting system. This technology allows the reporting and supervision process to be carried out more effectively, improves transaction security, and strengthens the integrity of financial data (Manik & Firdaus, 2024; Dwivedi et al., 2023). In this context, digitalization is seen as a strategic factor that is able to support the implementation of sustainability and ESG more effectively.

However, the literature review also shows that the implementation of digital transformation in Islamic accounting still faces various challenges. Several studies identified the limitations of digital infrastructure, low technological literacy, cybersecurity risks, and the need to ensure that all digital innovations remain in accordance with sharia principles (Supriadi et al., 2023a). In addition, research that comprehensively integrates digital transformation, sustainability, and ESG in a single conceptual framework is still relatively limited.

To provide a more systematic overview of the articles analyzed, Table 1 presents a summary of the selected articles used in this study.

Table 1. Selected Articles Supporting Digital Transformation, Sustainability, ESG, and Islamic Accounting

No	Author(s)	Year	Title	Link / DOI
1	Verhoef et al.	2021	Digital Transformation: A Multidisciplinary Reflection and Research Agenda	https://doi.org/10.1016/j.jbusres.2019.09.022
2	Unal & Aysan	2022	Fintech, Digitalization and Islamic Finance	https://doi.org/10.1016/j.heliyon.2022.e10385
3	Milena & Stefan	2024	Enhancing ESG Performance in Islamic Banks: The Impact of Shari'ah Governance Quality Across Countries	https://doi.org/10.69725/jies.v1i3.143
4	Puspitasari & Kasri	2023	Shariah Board Governance and Sustainability Performance: Analysis of Sharia Banking in Indonesia	https://doi.org/10.18196/jesp.v24i2.20133
5	Wardiman et al.	2024	Integration of ESG Principles in Islamic Financial Institutions	https://journal.uin-alauddin.ac.id/index.php/lamaisyir/article/view/53133
6	Lestari et al.	2025	A Literature Review of Updated Islamic Corporate Governance	https://jimf-bi.org/JIMF/article/view/2305
7	Aslamah	2025	Sharia Governance and ESG Performance: Evidence from Islamic Financial Institutions	https://doi.org/10.29040/jiei.v11i06.18522
8	Saputra	2025	Digital Transformation and Audit Innovation in Waqf Institutions	https://ojs.indopublishing.or.id/index.php/jlr/article/view/764

No	Author(s)	Year	Title	Link / DOI
9	Alsadi	2025	The Convergence of Blockchain Technology and Islamic Economics	https://arxiv.org/abs/2501.02263
10	Which	2025	Empirical Analysis of Digital Innovations Impact on Corporate ESG Performance	https://arxiv.org/abs/2504.01041
11	Khan et al.	2023	Impact of Islamic Corporate Governance on Sustainability Performance	https://doi.org/10.24088/IJBEA-2023-82005
12	Buallay	2019	Is Sustainability Reporting (ESG) Associated with Performance?	https://doi.org/10.1108/MEQ-12-2017-0149
13	Aslam & Haron	2020	Does Corporate Governance Affect the Performance of Islamic Banks?	https://doi.org/10.1108/CG-11-2019-0350
14	Khalil & Ben Slimene	2021	Financial Soundness of Islamic Banks	https://doi.org/10.1108/CG-06-2020-0237
15	Abdulhadi	2022	Shariah supervision and corporate governance effects on Islamic banks' performance: evidence from the GCC countries	https://doi.org/10.1108/JBSED-02-2022-0024
16	Alshehri	2024	Corporate Governance, Performance and Stability of Islamic Banks	https://doi.org/10.1057/s41261-024-00261-y
17	Annisa & Muhammad	2023	A systematic literature review on the role of sharia governance in improving financial performance in sharia banking	https://doi.org/10.1108/JIABR-08-2022-0192
18	Siregar	2025	ESG and Islamic Accounting for Sustainable Islamic Finance	https://doi.org/10.37641/jiakes.v13i3.3410
19	Purniawan	2026	Shariah Accounting, Sustainable Finance, and Financial Performance	https://journal.walisongo.ac.id/index.php/jiafr/article/view/28917
20	Astuti & Rahman	2026	Integration of Shariah Audit and Shariah Governance in Supporting ESG Compliance	https://owner.polgan.ac.id/index.php/owner/article/view/3213

Based on Table 1, five main themes that dominate the research can be identified, namely digital transformation in Islamic accounting, sustainability reporting, ESG integration, digital technology in Islamic finance, and Islamic governance. These findings suggest that sharia accounting research has evolved from a traditional focus on financial reporting towards a more comprehensive approach that integrates digital technology, sustainability, and responsible governance. However, research that connects all these aspects simultaneously is still relatively limited, opening up opportunities for further research in the future.

3.2. Discussion

The results of the literature review show that digital transformation has become a strategic factor in the development of modern Islamic accounting. The use of digital technologies such as artificial intelligence (AI), blockchain, big data analytics, cloud computing, and financial technology (fintech) not only improves operational efficiency, but also changes the way organizations generate, manage, and deliver financial information to stakeholders. These findings are in line with the research of Verhoef et al. (2021) and Unal and Aysan (2022) who explain that digital transformation plays an important role in improving the quality of decision-making, organizational innovation, and competitiveness of financial institutions. In the context of sharia accounting, digitalization also contributes to increasing transparency, accountability, and effectiveness of supervision which are fundamental principles in sharia-based governance.

The results of the study show that the relationship between digital transformation and ESG implementation in Islamic financial institutions is not linear. Some studies place digital technology as the main factor that increases transparency, accountability, and quality of sustainability reporting. However, other research shows that the success of ESG implementation is not only determined by technology, but also by the quality of sharia governance, management commitment, and regulatory support. These findings indicate that digital technology serves as an enabler, while the effectiveness of ESG implementation remains dependent on institutional and organizational governance factors.

This study also shows that sustainability has evolved to become one of the main focuses in corporate accounting and reporting practices. Changing stakeholder expectations encourage organizations to not only convey financial information, but also information related to social, environmental, and corporate governance impacts. The results of Harahap and Risfandy's (2023a) research show that sustainability reporting is able to increase organizational legitimacy and strengthen stakeholder trust. From the perspective of sharia accounting, the concept of sustainability is in accordance with the principles of maqasid al-shariah which emphasizes the creation of benefits, social justice, and a balance between economic and social interests.

The findings of the study show that the integration of Environmental, Social, and Governance (ESG) is one of the increasingly dominant issues in the Islamic financial literature. ESG principles have strong alignment with sharia values as they both emphasize social responsibility, transparency, accountability, and sustainability. Research by Ashraf et al.

(2025a) and Fitriani et al. (2025) shows that ESG implementation can improve the quality of organizational governance, strengthen risk management, and support long-term value creation. Therefore, ESG is not only seen as an instrument of regulatory compliance, but also as a strategic framework that supports the sustainability of Islamic financial institutions.

In addition, the results of the study indicate that the development of fintech, blockchain, and artificial intelligence opens up significant opportunities for the development of Islamic accounting. Blockchain technology is able to improve the transparency, security, and traceability of financial transactions, while artificial intelligence contributes to improving the accuracy of data analysis and the quality of decision-making (Dwivedi et al., 2023). On the other hand, fintech provides greater opportunities for increasing Islamic financial inclusion through the provision of more accessible and efficient services (Manik & Firdaus, 2024). Thus, digital transformation can be seen as an enabler that accelerates the implementation of sustainability and ESG in the Islamic financial sector.

However, the implementation of digital transformation in Islamic accounting still faces various challenges. The literature shows that limited technology infrastructure, low digital literacy, cybersecurity risks, and regulatory complexity are the main obstacles in the digital transformation process (Supriadi et al., 2023a). In addition, the use of digital technology must also remain within the corridor of sharia principles so that the resulting innovations not only provide economic benefits, but also meet the ethical and sharia compliance aspects. Therefore, strengthening *Shariah governance* is an important factor in ensuring that digital transformation runs effectively and sustainably.

A literature review found that there were differences in research results related to the impact of digitalization on sustainability and ESG. Several studies show that the use of digital technologies such as blockchain, artificial intelligence, and big data is able to increase transparency and the quality of sustainability reporting. On the other hand, a number of studies highlight that digitalization can also increase cybersecurity risks, technology investment costs, and the complexity of sharia regulatory compliance. The difference in findings shows that the benefits of digital transformation are not universal and are greatly influenced by the level of technological readiness, quality of human resources, and the regulatory environment applicable to each Islamic financial institution.

The results of this study strengthen the argument that digital transformation, sustainability, and ESG are three interrelated elements in the development of modern Islamic accounting. The integration of these three aspects shows that sharia accounting no longer only functions as a financial reporting system, but also as an instrument that supports the creation of sustainable value for organizations and society. These findings expand the sharia accounting literature by showing that digital technology can be a catalyst for the implementation of sustainability and ESG in Islamic financial institutions. The results of the study provide implications for regulators, Islamic financial institutions, and accounting practitioners to develop a more integrated, transparent, and technology-based reporting system. Investment in digital infrastructure, improving human resource competence, and strengthening sharia governance are important steps in supporting sustainable digital transformation. In addition, the integration of ESG in strategic reporting and decision-making systems can help organizations increase stakeholder trust and strengthen competitiveness in the digital economy era. Although research on digital transformation, sustainability, and ESG continues to grow, the results show that research that integrates these three aspects into one comprehensive conceptual framework is still relatively limited. Most research still addresses digital transformation, sustainability, or ESG separately. Therefore, future research needs to develop an integrative model that connects digital transformation, sustainability reporting, ESG disclosure, and Shariah governance to gain a more comprehensive understanding of the development of sharia accounting in the digital era.

Based on the synthesis of the literature, this study proposes a conceptual framework that places digital transformation as the main driver of improving information quality and organizational transparency. This increased transparency supports the implementation of sustainability reporting and ESG disclosure more effectively. Furthermore, the success of ESG integration is influenced by the quality of Shariah governance which serves as a control mechanism to ensure compliance with sharia principles. Thus, the relationship between digital transformation, sustainability reporting, ESG disclosure, and Shariah governance is complementary in supporting the development of sustainable sharia accounting.

4. CONCLUSION

This study examines the development of the literature on digital transformation, sustainability reporting, and ESG disclosure in the context of sharia accounting through the Systematic Literature Review approach. The results of the synthesis show that digital transformation plays a key supporting factor in increasing transparency, accountability, and efficiency of reporting systems in Islamic financial institutions. In addition, ESG integration is gaining more attention because it has alignment with sharia principles that emphasize justice, social responsibility, and sustainability. The findings of the study also show that the role of Shariah governance is an important factor in ensuring that the implementation of digital technology and ESG practices remains in accordance with sharia values. From a practical perspective, the results indicate that Islamic financial institutions need to strengthen investments in digital infrastructure, improve the competence of human resources in the field of technology and sustainability, and integrate ESG indicators into strategic reporting and decision-making systems. For regulators, the development of sustainability reporting guidelines that accommodate ESG principles and the characteristics of Islamic finance can be an important step to improve the quality of governance and transparency of the Islamic finance industry. However, this study found that research that integrates digital transformation, sustainability reporting, ESG disclosure, and Shariah governance in one conceptual framework is still relatively limited. Therefore, future research needs to develop an empirical model that examines the relationship between digital transformation, ESG performance, sustainability reporting quality, and the performance of Islamic financial institutions. In addition, cross-border comparative studies, the use of panel data, and analysis of the implementation of technologies such as blockchain and artificial intelligence in sharia sustainability reporting are promising research agendas to expand the development of literature in this field.

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