

**THE INFLUENCE OF ACCOUNTING INFORMATION QUALITY, ACCOUNTABILITY AND TRANSPARENCY OF FINANCIAL REPORTING ON THE LEVEL OF ZAKAT REVENUE****(Survey In BAZDA West Java Province)****Nunung Nurhayati, Magnaz Lestira, Sri Fadilah, Nurhayati****A Lecturer in Accounting Study Program Faculty of Economics and Business****Universitas Islam Bandung. Jl. Taman Sari No. 1 Bandung - Indonesia****ABSTRAK**

The low level of zakat revenue (a form of obligatory alms-giving and religious tax in Islam) . It is based on income and the value of all of one's possessions.<sup>1)</sup>, especially in West Java, which is only 3% of the enormous potential, is due to many factors that hinder the acceptance of zakat, one of which is the low quality of accounting information , accountability and financial reporting transparency presented to public which cause people's distrust on the zakat foundation of Indonesia which leads to the low revenue of zakat

This study applied an *Explanatory research* through primary data collection by interviewing managers of Badan Amil Zakat ( zakat Foundation of Indonesia ) in 21 cities and regencies in West Java. Before the data is analyzed, it is measured by validity and reliability testing. The last stage is hypotheses testing through path analysis.

Based on the research results, the quality of accounting information, accountability and financial reporting significantly give effects on the level of acceptance of zakat conducted by West java's BAZDA ( Zakat Foundation )

*Keywords: Quality of Accounting Information, accountability, transparency of financial reporting and the level of acceptance of zakat*

**1. INTRODUCTION**

Another impact of Act No. 23 year 2011 on zakat management ,is the high numbers of zakat institution established by society as a form of civil society movement.The growing numbers of LAZ/UPZ ,which is part of the BAZNAS, can be used as an alternative for people to distribute their zakat fund other than BAZNAS (that belongs to government). LAZ/UPZ becomes a medium to help the attempt in achieving zakat potency in Indonesia especially in West Java province.

The phenomenon that occurs at this time is that zakat revenues potency is not in accordance with the realization of zakat revenue received by Badan Amil Zakat (BAZNAS). While the actual revenues earned by BAZNAS is still far from its potential. The potency data and actual zakat revenues in Indonesia from 2009 to 2013 are as follows

Table 1.1

**Potential and Actual Revenue Zakat Fund  
From the year 2009 until 2013**

No.	Period	Potential Zakat (trillion)	Zakat revenues (trillion rupiah)
1.	2009	20	1.2
2.	2010	100	1.5
3.	2011	217	1.8
4.	2012	217	2.2
5.	2013	300	2.5

Source: Baznaz.go.id, Data Islamic Development Bank (IDB) PIRAC

The table shows a comparison between the potential and the realization of zakat revenue according to various sources, the revenue realization of zakat in Indonesia is very far from the number of zakat potency. The same thing happened in West Java, the zakat potency of West Java reached approximately IDR 900 billion and the realization of which can be achieved in 2010 only 3% of it which is about IDR 27 billion in three regions (Bandung, Cirebon, Cimahi). With a total population of 40 millions, zakat revenues in West Java is expected to increase (R. Hermawan- *Chief Funding Officer* (CFO) Rumah Zakat).

The low realization of zakat potency might be caused by several things, shown from a survey conducted by UIN (Islamic University) Syarif Hidayatullah Jakarta, *the Ford Foundation* in 2004, found that 97% respondents expect LAZ to work Accountably. Demands that public can have access to monitor the managed funds (90%). Financial Statements on the media (92%). The need to record the donors (88%) and people's reluctance to distribute zakat to a zakat foundation which is not well-known.

In fact, they want to make sure that zakat fund is distributed to the right people (63%). This describes a big public demand for the quality of accountable and transparent accounting information that can cause public's trust to distribute zakat and it will lead to the increase of Zakat revenues. This also occurs in Badan Amil Zakat in cities and regencies in West Java which are parts of BAZNAS, which has received funding from muzakis (muslims who pay zakat) amongst government employees, individuals or communities, the management system must be accountable, transparent and it also give quality information to increase zakat revenues. Management of zakat funds that are considered not to have accountability and transparency in government agencies and public can give negative effects to the development of BAZ because agencies/ institutions and public will not trust /have a doubt that zakat fund is distributed correctly or they suspect that BAZIS used the funds for the benefit of BAZIS not people. Although basically BAZ is an institution that is based on religious concepts and they have to be responsible to God, BAZIS transparency cannot be ignored.

Because people still need this information as a performance assessment benchmark on BAZ that puts the community as the party who have important role in the activities of collecting and distributing zakat fund.

Based on the above phenomenon, the authors are interested in conducting a research that focused in West Java on the Quality of Accounting Information, Accountability and Transparency of Financial Reporting on Zakat revenues At Badan Amil Zakat (Bazda) in West Java

## **Problem Formulation**

Based on the research background, Problem formulation of this research is: How the quality of accounting information, accountability and transparency of financial reporting influence the number of zakat revenues in Badan Amil Zakat Regions (Bazda) in the Province of West Java both partially and simultaneously.

## **2. Framework of Theory and Hypothesis**

### **2.1 Quality of Accounting Information**

Stair and Reynolds (2010) stated: *"The value of information is directly linked to how it helps decision makers Achieve Reviews their organization's goals. Valuable information can help people and their Organizations perform tasks more efficiently and Effectively. "While O Brien (2010) states that:" "Information of high quality, that is, information Whose product characteristics, attributes or qualities help make it valuable to them ,It is useful to think information as having the three dimensions of time, content, and form.*

Based on the above statements , the quality of accounting information is accounting information which has quality characteristics required by its users make valuable decisions in achieving organizational goals.

### **2.2. Accountability**

According to the Government Accounting Standards Conceptual Framework (KK, SAP, 2005) Accountability is being accountable for resource management and policy implementation that is entrusted to reporting entities in achieving the goals that are set periodically. Financial accountability criteria (1) Accountability of public funds (2) timely financial report and (3) audit examination and government's response.

Meanwhile, according to Mardiasmo (2002: 20): "Public accountability is the obligation of the fiduciary (agents) to provide accountability, present, and disclose all its activities that are under their responsibility to people who give trusts (*principal*) who has the right and authority to accept the financial reports and performance.

### **2.3 Transparency**

According to KNKG ( 2006: 5) term of " transparency" is a condition in which a company is able to provide a relevant and material information that is related to the company that are accessed understood by stakeholders.

Transparency of financial reporting is an effort to provide an open and true financial information to the public based on the consideration that public has the right to know comprehensively on the accountability of resources management that are entrusted to it and its compliance to laws and regulations (KK, SAP: 2005)

### **2.4 Zakat Revenue**

Zakat revenue means the addition of organization's resources that come from donations and or temporary fund allocation which can be either cash or non-cash.

Meanwhile donation revenue can be in the forms of zakat, infaq, sadaqah, grants, wills, inheritance, expiation, or other donations that do not against Islamic laws.. In accepting donations, organizations must consider *muthlaq contract* (not bound) and or *muqoyyad* (bound) that is required by donors. (PA OPZ: 2009)

### 2.5. Research Hypothesis

There are effects of accounting information quality, accountability and transparency of financial reporting on the amount of zakat revenue in local Amil Zakat Foundations in West Java both partially and simultaneously, described as follows:

H1. : There is a significant effect between the quality of accounting information on the amount of zakat revenue

H2: There is a significant effect of acceptance of accountability on the success of the amount of zakat revenue.

H3: There is a significant effect of between the transparency of financial reporting on the amount of zakat revenue

H4: There is a significant effect of the quality of accounting information, accountability and transparency of financial reporting on the amount of zakat revenue

## 3. Methodology

### 3.1 Research Method

The method used is *explanatory research*. *Explanatory research* is a research that explains the causal relationship between variables (Cooper & Schindler, 2006: 154).

Explanatory research method refers to a theory or hypothesis to be tested as the cause of the phenomenon. According to Singarimbun and Sofian Effendi (2011: 5), explanatory research is a research that describes causal relationships between variables through hypothesis testing.

### 3.2. Data Collection Techniques And Types

Data used in this research are primary data and secondary data. Data Collection technique to obtain primary data is conducted through field research by compiling questionnaire.

The respondents in this study are managers and accounting department at Bazda located in cities and regencies in West Java province. The Reasons of choosing BAZDA managers and accounting as respondents in this study is the assumption that leadership and accounting department in Bazda understand and know the process of accepting, distributing and reporting very well.

### 3.3 Population and Research Sample

Kerlinger (1992) stated that population is a set, while the set referred to the study can be in the forms of objects, people, symptoms, events, or other things that have certain characteristics to clarify research problem. Meanwhile, according to Cooper and Schindler (2006: 717), population is the entire collection of elements that can be used to make some conclusions. A set of elements is basically the object to be observed by researcher. As for the population target in this study is the 26 Regional Zakat foundations (Bazda) in cities and regencies in West Java province. While the meaning of sample, according to (Sugiono, 2012: 124), is a part of the number and characteristics of this population. Slovin formulation is used as determination of sample formulations with the error rate ( $d$ ) is 0.1 as follows :

$$n = \frac{N}{N \cdot d^2 + 1} = \frac{26}{26(0,1)^2 + 1} = 20,63 = 21 \text{ (integrated)}$$

### 3.4 Method of Analysis Research

This study will analyze the pattern of causal relationship between variables. Before analyzing the pattern, research instrument testing is conducted through validity and reliability test. Descriptive Analysis provides a descriptive overview of primary data that are obtained from respondents, and verificative analysis use statistical analysis measurement which is called path analysis (hypothesis testing used are t test and F test). Data processing is also used SPSS software.

## 4. Study Result and Discussion

### 4.1 Validity and Reliability Test Results

Before data of questionnaire result are processed, validity and reliability tests are conducted on the research measurement to prove whether the measuring instruments used have *validity* and *reliability*. The result of data processing using product moment correlation and *Cronbach Alpha* give the validity and reliability test results as follows:

Table 4.1

Results of validity and reliability

Variables	Validity	reliability (Cronbach Alpha)
Quality of Accounting Information	0.857	0,940
Accountability	0.745	0.912
Transparency	0.718	0.886

Source: results of data processing

Table above shows that the results of the calculation of validity and reliability test for each variable, in average they are above 0.3 for validity test, and above 0.7 for reliability test

As described in research methodology, to test the validity of measuring instrument, statistical approach is used through Spearman rank correlation. If the correlation coefficient of statement item statement with a total score of other items  $\geq 0.30$  then the statement is invalid. If the reliability coefficient is higher than 0.70, all statements used are reliable so that it can be concluded that the questionnaire used has already provided consistent results

### 4.2 Descriptive Analysis

Descriptive analysis can give a description on how respondents behave to the variables indicator that are being studied. Descriptive analysis is conducted by preparing a frequency distribution table to determine whether the rate of score of research variable is in the category "VERY GOOD", "GOOD", "FAIR", "BAD" and "VERY BAD" then perform the determination of categories based on the score intervals criteria.

**Table 4.2****Score Criteria**

SCORES	Average	FACTS
21-48	1 -1.79	Very Low
38-54	1.8 - 2.59	Low
55-71	2.6 - 3.39	Moderate
72-88	3.4 - 4.19	High
89-105	4.2 - 5.00	Very High

Source: Data processing in 2014

The results of the responds from the respondents in BAZNAS West Java Province on the quality of accounting information is that the the average score is 3.37 and is in the interval of 2.60 to 3.39. It can be concluded that the quality of accounting information in Bazda West Java province is still moderate. While the average score of accountability is 3.41, or is in the interval of 3.4 to 4.19 , thus it can be concluded that the accountability of financial report in BAZNAS is quite high.

Meanwhile, the average score of transparency of ffinancial reporting is 3.56 or -4.19 and is in the interval of 3.4,so it can be concluded that the transparency of financial reporting in Bazda in West Java province is quite high. The revenue rate of zakat in BAZDA in West Java , the average revenue is 1% to 5%.

### 4.3 Discussion

#### **The Effects of Accounting Information Quality, Accountability and Transparency of Financial Reporting on BAZDA's zakat revenue inthe Districts and Cities in West JavaProvince**

Based on the hypothesis test, it turns out that there is a significant effect of the quality of accounting information, accountability and transparency of financial reporting on the level of zakat revenue with the rate of effects is 70.2% and the remaining 29.8% is influenced by other factors that are not examined.in partial, the quality of accounting information on Zakat revenue has a direct effect as much as 31.25%, while the accountability affects the amount of zakat revenue by 30%, and the transparency give an effect around 74.99%. Among these three variables , variable of transparency of financial report gives the highest contribution on the number of zakat revenue .This is consistent with the fact that is seen in the field that studied- BAZ (Badan Amil Zakat) realize that public demands on transparency of financial reporting is the most important part in building public trust , especially the government departments, on the management of zakat revenue .This means that most Bazda (in regencies or /and cities in West Java) haveimplemented the transparency of financial reporting which can be accessed by public, both ,local and regional mass media, newsletters, and others as evidence of their liability to the public, although it has not been optimal, yet.

Furthermore, accountability variable becomes a fundamental principle that is used by West java- Bazda to provide services and build trust from the muzaki and mustahik ( The donors and the receivers) ,and also to build a good relationship with all the stakeholders such as local communities, government, charity and Zakat forums and other stakeholders.

Furthermore, in managing zakat fund the quality of accounting information is important to provide an accurate, right and reliable information to stakeholders about how Bazda manages the zakat fund. It involves financial statements, activities and programs that are offered by Bazda, so that all major activities of Bazda are known by the stakeholders through banners or other kind of information forms. It is similar to Wahyudin Zarkasyi (2008) who stated that BAZ / LAZ should be able to build a good information system. However, most of BAZ, we studied, do not have a good information system, especially accounting information system. Many of BAZ information systems are not as good as what BAZNAS has expected which require all BAZ use an integrated information system called SIMBA.

Only 20 % BAZ in Indonesia use SIMBA, most BAZ are still using manual system. BAZ in regencies and cities in West Java face some problems in improving the quality of accounting system such as lack of human resources. It happened due to a number of BAZNAS staff are also civil servants and it makes them think that managing zakat is only a side job. They do not manage it professionally, only wait for each UPZ send zakat to BAZNAS and never make any innovations or strategies in increase zakat revenue. In contrast, LAZ (which is established by society) runs the business professionally, they make strategy and innovation and have good relationship and cooperation with public and government, so there will be significant differences in the number of zakat revenue.

Significant differences in the number of zakat revenue in each region are carefully analyzed and it is caused by various internal and external factors. In an interview to some local and regional BAZ in West Java, the internal problems that are faced by each BAZ, and give effects on the number of zakat revenue are:

1. The Human Resource's diversity and limited capacity and capability that are not has fully synergic, meaning that many employees of BAZ have irrelevant education background with their works and duties.
2. Problem of Muzaki and Mustahik (donors and receivers of zakat) data base, it is caused because UPZ are not discipline in mentioning names of donors when they deliver the zakat fund to BAZ. It causes BAZ do not have any information about donors' names.
3. Limited facilities and infrastructure in BAZ arrangement. There are still some BAZ that do not have operational office, inappropriate computers that cannot be used for a big-capacity system.
4. They do not have an integrated information system, which enables managersto make rapid and precise financial statements.. These constraints basically have already been accommodated by central BAZNAS, to facilitate the supervision on the zakat management. In 2013a system that can accommodate all systems in BAZDA was created, ie Zakat Management Information System (SIMBAZ).BAZ/ LAZ received a system training for 3 days and ongoing training every 3 months. However, in West Java there are only 20% that use SIMBA, 80% do not use SIMBA because human resources have lack of knowledge about the system operation, so most of them make a report manually and send it to the head office through email or post office. In contrast, BAZ DA that use SIMBA, cansend financial reporting faster. so BAZNAS have the information about the number of zakat revenue and distribution as soon as possible.  
They do not have secretarial administration system and standardized ZIS (zakat) management guidance.

The External Problems that we encountered during the research are as following:

1. The various understanding about zakat fiqh

2. Lack of top management's support, such as supports from regents and mayors and directors of government institutions. BAZ which has the supports from top management have high zakat revenue. on the other hand, BAZ who are not supported by those top management have low zakat revenue.
3. Stability and continuity of government support is still volatile on poverty reduction efforts based on potential zakat and charity.

Based on the wide range of existing problems in West BAZ in West Java, in which the number of zakat revenue is still around 1-3 per cent of the existed potential, so each BAZNAS in the cities and regencies are suggested to improve human resource management that is related to information system as a medium to provide accurate, up to date, timely and relevant information to concerned parties and the information must be able to accessed by stakeholders as a form of responsibility and is published in mass media either in local or regional newspapers and each of each Bazda is suggested to have a web to provide information related to the programs or activities and policies that will be implemented in the following year. The quality of accounting information, accountability and transparency of financial reporting will increase the revenue from zakat, so for the following years, the number of zakat revenue will be higher, at least reaches 30% of the existing potential.

## 5. CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Conclusion

Based on the analysis of the quality of accounting information, accountability and transparency of financial reporting and the zakat revenue received by in Regional Zakat Foundation (Bazda) in the regencies and cities in West Java province, we can conclude that;

The quality of accounting information, accountability and transparency of financial reporting has a significant and close correlation with positive direction. Quality of accounting information and accountability and transparency are closely related to each other. This is supported by the condition that the quality of good information will increase accountability and transparency of financial report, and give a positive effect to the number of zakat revenue. Meanwhile quality of accounting information, accountability and transparency of financial reporting have a significant positive effect both simultaneously and partially on the level of zakat revenue.

Simultaneously, the influence of the quality of accounting information, accountability and transparency of financial reporting of the level of zakat revenue reach 70.2%, while 29.8% is influenced by other factors, including low capabilities of human resources, inadequate infrastructure, un-integrated information system, low support from regional leaders and only few BAZ that use a website as transparency media provided to public. Partially, the quality of accounting information affects the level of zakat revenue. The quality of accounting information directly influence 31.25% of the level of zakat revenue. Meanwhile, accountability influences 30% of zakat revenue and transparency influences 74.99% of the revenue.

### 5.2 Suggestion

Based on the discussion and conclusion, there are some suggestions;

1. In order to meet the demand for good quality of accounting information, the development of accounting information system in BAZDA should involve users to identify users' needs and build an integrated information system (SIMBA) that has been provided by central BAZNAS. To optimize the use of SIMBA, personnel placement in information system installation that has



the qualifications and knowledge about information systems, especially accounting information system.

2. To optimize the use of accounting information system (SIMBA), human resource must be prepared by giving them trainings held by BAZDA, who joined the committee that does not hold the system, so there is no knowledge transfer amongst them.
3. Financial reporting system should have the standard of SFAS 109 because most of West Java BZD have not used reporting using PSAK 109.
4. BAZ in districts and cities in West Java should have a web-site as a form of transparency and accountability to the public, in which web can be used as a platform to inform public about programs or revenue reports and zakat distribution as a form of accountability and transparency to stakeholders / donors so they can access the information at any time.
5. BAZ in districts and cities in West Java have Zakat file number of muzaki (NPWZ) to use the web as a form of transparency and accountability to the public, where the web can decrease annual tax.
6. For researchers who are interested in conducting the study of zakat revenue, it is advisable to expand the involvement of information system development, organizational culture and information technology.

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