

The Influence of The Quality of Financial Reports of Muslim Religious Institutions on Stakeholder Satisfaction in Riau

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Abstract

This study aims to analyze the influence of the quality of the financial reports of Muslim religious institutions in Riau on stakeholder satisfaction. This study uses primary data obtained by distributing questionnaires to 204 stakeholders who always interact and are active in Muslim religious institutions. Data analysis methods used in this study include research instrument testing and hypothesis testing using regression analysis. The results of the study show that the quality of the financial reports of Muslim religious institutions has an effect on stakeholder satisfaction.

Keyword: *Quality of Financial Statements; Muslim Religious Institutions; Stakeholder Satisfaction.*

Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh kualitas laporan keuangan lembaga keagamaan Islam di Riau terhadap kepuasan pemangku kepentingan. Penelitian ini menggunakan data primer yang diperoleh dengan cara menyebarkan kuesioner kepada 204 pemangku kepentingan yang selalu berinteraksi dan aktif di lembaga keagamaan muslim. Metode analisis data yang digunakan dalam penelitian ini meliputi uji instrumen penelitian dan uji hipotesis dengan menggunakan analisis regresi. Hasil penelitian menunjukkan bahwa kualitas laporan keuangan lembaga keagamaan muslim berpengaruh terhadap kepuasan stakeholder.

Kata Kunci : *Kualitas Laporan Keuangan; Lembaga Keagamaan Islam; Kepuasan Pemangku Kepentingan.*

INTRODUCTION

Mosques and Islamic prayer rooms as Muslim religious institutions must be upheld and maintained as best as possible, especially in their care and management. They are not just a place for worship, but also a center for the benefit and welfare of their environment in the social, educational, economic, cultural and other fields. Every management of a religious institution must have openness in financial transactions because these funds are entrusted by the people for the common good. So far, the public knows reports on the financial position of religious institutions from reports submitted by administrators only during Friday prayers, weekly Islamic study or during the fasting month. This report was only submitted briefly and orally. The financial reports prepared by the management are usually in the form of simple bookkeeping reports which are only limited to monthly or annual cash reports, regarding cash receipts and disbursements. All financial practices and fund management of religious institutions are only based on trust without having a system to manifest that trust to the public.

The financial reports submitted by the management of religious institutions are still very simple. In addition, it is also not in accordance with the financial accounting standard regulations number 45 regarding non-profit organizations, for example, such as mosques. In terms of bookkeeping or financial reporting to make it easier for managers of religious institutions, it can be supported by the application of a religious institution's financial system. The application includes input of financial transaction data and disbursement of funds used and the output is in the form of cash flow reports, balance sheets, operational reports, and notes on financial reports so that it will facilitate the financial recording and financial reporting of religious institutions which are obtained automatically. Based on census data, there were 6,318 Muslim religious institutions in the form of mosques and 6,544 Islamic prayer rooms (Central Bureau of Statistics for Riau Province, 2019). Meanwhile, The Head of the Islamic Religious Information and Empowerment of Zakat and Waqf Regional Office of the Ministry of Religion of Riau Province (2021) said that one of the places to foster the younger generation is the mosque. The mosque is a strategic place considering there are so many of them. He explained that currently in Riau Province the number of mosques has reached 7,139 buildings. Meanwhile, there are 7,354 prayer rooms in Riau. But unfortunately, the number of mosque buildings that are scattered everywhere is not comparable to the development of the youth of the mosque. Even though preaching to teenagers and millennials must be carried out continuously. He said da'wah had indeed touched teenagers. This means that many teenagers have returned to the mosque. However, the taklim assembly specifically for mosque youth is not as active as the taklim assembly for women. He hopes that the Majelis Taklim Contact Body will regenerate mosque youth. It's not only the ratio of mosques and mosque youth that is unbalanced. The comparison between male and female preachers is also not comparable. From the data owned by the Ministry of Religion which he explained, the number of male preachers reached 9,412 people while there were 1,146 female preachers. To obtain operational funds, mosques need the trust of their stakeholders and to gain this trust, mosques must present quality financial reports so that stakeholders believe in making decisions in donating their funds to the mosque.

In fact, based on our observations in the field, almost all financial reports of Muslim religious institutions in Riau only provide cash in and cash out reports, while balance sheets, operational reports and notes on financial reports are not prepared. This certainly makes stakeholders distrust the institution's financial reports. Therefore, through this research it is hoped that evidence will be obtained whether the quality of the financial reports of Muslim religious

institutions influences the trust of their stakeholders or not. According to stakeholder theory, an organization is obliged to provide benefits to stakeholders so that they feel happy, satisfied and trust the organization. The novelty of this research is that there are very few studies that examine the influence of financial report quality on stakeholder satisfaction that conducts studies on religious institutions, especially in Riau.

LITERATURE REVIEW

Grand Theory

a. Stakeholder Theory

First put forward by the Stanford Research Institute in 1963, stakeholder theory is defined as a group that can provide support for the existence of an organization, which basically states that a company is an entity that not only acts for its own interests, but also has obligations to its stakeholders to provide benefits. (Handoko, 2021). In the context of this theory, Islamic religious institutions have an obligation to provide benefits to the user community, the social environment, and the government by providing quality financial reporting.

b. Quality of Financial Reports of Muslim Religious Institutions

The quality of financial reports can be considered as financial reports that contain relevant, accurate, complete and unbiased information (CFA Institute, 2022). The quality of financial reports is a broad concept that not only refers to financial information but also includes other non-financial information that is useful for making decisions (Herath & Albarqi, 2017). Tang, et.al (2008) defines the quality of financial reports as the extent to which financial reports can provide correct and fair information about the performance position and financial position that underlies the fulfillment of the interests of different stakeholders.

c. Measuring The Quality of Financial Reports

Financial statement quality indicators are a set of factors used to evaluate the extent to which financial statements reflect a organization's financial information accurately, relevantly, and transparently. This helps stakeholders to make the right decisions and understand the organization's overall financial condition. Sutisnawinata (2023) describes the measurement of financial reports quality as follows :

1. Accuracy

The main indicator of the quality of financial statements is the accuracy of the information presented. Financial statements should be based on correct data, including business transactions and proper accounting records. Accuracy in recording and compiling financial data is the key to ensuring the accuracy of reports.

2. Consistency

Financial statements must be consistent in presenting information from period to period. Significant changes in accounting methods or reporting policies should be explained transparently, thus enabling stakeholders to understand and compare the organization's performance over time.

3. Relevance

Financial statements should include information relevant to stakeholders. Relevant information is information that can be used for business decision making, such as profit and loss developments, cash flow, and the organization's financial position. Irrelevant information will only confuse and obscure the understanding of the organization's financial condition.

4. Full Disclosure

Transparency in the disclosure of financial information is essential in building stakeholder trust. Financial statements must disclose fully and honestly about the financial condition, risks, and responsibilities relevant to the organization. Full disclosure provides a more complete picture of a organization's performance and financial position.

5. Readability and Comprehension

Financial statements must be prepared in language that is easily understood by various stakeholders, including those without a financial background. The use of technical terms should be clearly explained for easy interpretation and analysis of the report.

6. Compliance with Accounting Standards

Financial statements must comply with applicable accounting standards, such as International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP). Compliance with this standard ensures uniformity and consistency in the presentation of financial information.

Stakeholder Satisfaction

Satisfaction is a good feeling that a person gets when he gets what he wants (Cambridge Dictionary, 2022). Stakeholders are groups of people who can influence or be influenced by business actions in general (Kumalasari, 2018). Thus it can be said that stakeholder satisfaction is a good feeling that is obtained by groups of people who can influence or be influenced by business actions in general when they get what they want.

Measuring Stakeholder Satisfaction

Warsito (2022) describes Not only services, organizational services to stakeholders must also be considered. Stakeholders will feel satisfied if the organization performs good, friendly, and satisfying service.

If stakeholders get the quality of service, it is not impossible that they will return to use the services of the organization because they feel satisfied.

Previous Research

Several previous studies related to the quality of financial reports that have been carried out by previous researchers include: Nirwana and Haliah (2018) prove that individual factors influence the quality of financial reports. A high level of personal competence affects the high quality of financial reports. Setting systemic/administrative factors also affect the quality of financial reports. The high regulation of system/governance factors will affect the high quality of financial reports. Political factors affect the quality of financial reports. High political factors will affect the high quality of financial reports. Furthermore, Irwandi and Pamungkas (2020) prove that the risk of investor distrust affects the quality of financial information, while the legal expertise of the audit committee is a regulatory variable that strengthens the relationship between investor unreliability risk and the quality of financial reports. Similarly, Rahman and Hasan (2019) prove that profitability and external financing are the two main explanatory variables for determining the quality of financial information. This study also shows that firm size and accrual accounting quality have no significant effect on the quality of financial information.

Hypothesis Development

Quality financial reports are an important part of the service quality of religious institutions.

Service quality certainly affects satisfaction (Elisabeth, et.al, 2019);(Dimiyati, 2017);(Utomo, et.al, 2022);(Permana, et.al, 2020); (Rahmah, et.al, 2021); (Alfiyanto, et.al, 2020).

Conceptual Framework



RESEARCH METHODS

The population of this study is all people who are stakeholders of Muslim religious institutions. In this study, the sample used was 204 respondents. Therefore, the consideration of the qualitative aspects of the respondents is prioritized as well as aspects of the minimum eligibility criteria in the statistical analysis of data. The sampling technique is purposive sampling with the following criteria: respondents are over 20 years old and always interact and are active in Muslim religious institutions. Respondents have the option of completing the questionnaire only once, and respondents are free to accept or reject the survey. Data analysis techniques are carried out in two types, namely descriptive analysis to explain the characteristics of the variables studied to support problem solving to obtain operational advice; and analysis through regression equation modeling.

Table 1. Research Instruments

Dimensions	Indicators
The Quality of Financial Reports of Muslim Religious Institutions	1. Financial reports are presented honestly 2. The financial reports are free from material errors
Stakeholder Satisfaction	1. Stakeholders are satisfied with the services of Muslim religious institutions 2. Services according to stakeholder expectations 3. Stakeholders have had impressive experiences when using the services of Muslim religious institutions

RESEARCH RESULTS AND DISCUSSION

The Influence of the Quality of Financial Statements of Muslim Religious Institutions on Stakeholder Satisfaction

The influence of the quality of the financial reports of Muslim religious institutions on stakeholder satisfaction can be explained on Table 2 as follows:

Table 2. Linear Regression Test Results

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	6,616	0,658		10,058	0,000

Stakeholder Satisfaction	0,532	0,096	0,363	5,530	0,000
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a. Dependent Variable: Stakeholder Satisfaction

The results of the study show that the variable Quality of Financial Statements of Muslim Religious Institutions has an effect on Stakeholder Satisfaction. This is based on the calculated t value of 5.530 with a significance level of 0.000 (<0.05) and t table 1.972141. This shows that t count is greater than t table ($5.530 > 1.972141$). The results of this study prove that the quality of the financial reports of Muslim religious institutions is closely related to satisfaction in the view of stakeholders. Stakeholders view the quality of financial reports of Muslim financial institutions as needed in increasing stakeholder satisfaction. The results of this study support research conducted by Dimiyati (2017), Elisabeth, et.al (2019), Permana, et.al (2020), Rahmah, et.al (2021), Alfiyanto, et.al (2020), and Utomo, et.al (2022) which proves that the quality of financial reports affects stakeholder satisfaction.

CONCLUSION, RESEARCH LIMITATION, AND SUGGESTION

Conclusion

Based on the results of the hypothesis testing discussed above, it can be concluded that partially the quality of financial reports influences stakeholder satisfaction in Muslim religious institutions. Financial reports that are presented honestly and free from material errors by Muslim religious institutions are able to increase stakeholder satisfaction which in turn can increase stakeholder trust in the institution.

Research Limitation

This research is limited to testing only one independent variable on stakeholder satisfaction at Muslim religious institutions. Therefore, researchers suggest adding tests using other variables such as fraud prevention and financial management.

Suggestion

This research suggests that administrators of Muslim religious institutions must convince stakeholders that the financial reports have presented financial information that can satisfy the wishes of stakeholders.

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