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Implementation of Internet Financial Reporting to Increasing Accountability in Zakat Management Organizations

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Abstract

The report of the Zakat Organization Forum (FOZ) states that one of the factors in the weak ability of OPZ in managing national zakat funds is the lack of transparency of zakat managers regarding the publication of the results of collections and other Islamic philanthropic funds. So, the purpose of this research is to see the extent of the implementation of internet financial reporting to increasing accountability in zakat management organizations. The method used in this study is descriptive qualitative, with a sample of 11 OPZ who did internet financial reporting in 2017 and 2018. The results of the study revealed that the internet financial reporting of OPZ was in the middle category level with a value of 60.13%. This indicates that the level of disclosure of internet financial reporting in Indonesia is still not good because it is still at the intermediate level. This happens because the prevailing regulations are still weak, and there has been no action from the government in regulating OPZ financial reporting because OPZ itself is still in the form of non-profit organizations.

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1. Introduction

Indonesia is one of the countries that has the largest Muslim population in the world. This causes Indonesia to have a large zakat donation. Kaft (1987) says that zakat is a transfer of payments from the wealthy to the poor for the purpose of redistribution of wealth and income in society. Zakat is one of the main pillars in Islam and plays an important role in influencing the social and economic life of society, so it needs professional management. The report of the Zakat Organization Forum (FOZ) states that one of the factors in the weak ability of OPZ in managing national zakat funds is the lack of transparency of zakat managers regarding the publication of the results of collections and other Islamic philanthropic funds (Nahaba in Rini, 2016). Transparent or uncovered financial reporting to donation organizations can be effective in increasing public trust. Another factor that causes less optimal acceptance and management of zakat is fraud committed by individuals. One of the most popular cases that ensnared the Mayor of Surabaya, Risma once froze the Surabaya bazda fund of 300 million rupiah. This is due to the poor governance of the bazda, where there are allegations of fraud of 50%. This diversion is in the form of large salaries, large comparative study funds, so that the distribution is only 50% (Surabayanews 2015, Okezonenews 2015). The number of cases that occur shows the poor governance of amil zakat institutions in Indonesia. Therefore, improving the governance of the Zakat Management Organization or abbreviated as OPZ is very necessary. Good governance can foster trust in the community towards amil zakat institutions.

Along with the development of information technology, also developed financial reporting via the internet (Internet Financial Reporting). This will have a significant impact because the current intensity of extracting public information is relying on internet-based media because it is more efficient. Based on data reported by the Indonesian Internet Service Providers Association (APJII), the results of the 2019 survey recorded internet users reaching 171.2 million people or 64.8% of the total population of Indonesia. This number has almost tripled compared to 2012 when internet users were still around 63 million. Reporting using an internet system indicates a desire for disclosure or transparency. Therefore, using Internet Financial Reporting (IFR) can save costs in the production and dissemination of financial information.

2. Literature Review

IFR is the inclusion of company financial information via the internet or the company's official website (Lai et al., 2010). Disclosure through this website is intended so that information can be available to anyone, anywhere and anytime. IFR is referred to as voluntary disclosure, this is not seen from its content, but from the media or the tools used (Barac, 2004). The advantages of implementing IFR according to Almilia (2009) include, first, the use of the internet as a medium for delivering financial reports is a savings for companies because they no longer need to print financial reports using paper. Muhammad (2006), in his research, found that the form of methods used by OPZ in compiling financial reports was based on the format regulated in the government financial system, but it was not complete enough because it only compiled reports on sources and use of funds. In



addition, research conducted by Rini (2016) found that out of 19 OPZs, only 7 OPZs had disclosed financial information through website media. This shows that most of the OPZs have not used the internet to provide financial information to the public / muzaki.

Zakat

Zakat is an obligatory form of worship for every Muslim in relation to assets under certain conditions. The legal basis for the obligation to issue zakat is:

هَلَّا كَذَّبْنَا يُدْجِبْهَا جَحْدْنَا وَنَضْرُورَةُ نَعَالِي هَلَّا دِينُنَا مِنْ دَعَا لِمَا زَكَاةً وَجِبْهَا
 كَنْزَهُنَا حَكْنُ وَسَلْنَا عَالِيَهُ هَلَّا صَالِي سِيَاهُ وَكَذَّبْ

“The obligation of zakat is the religion of Allah which is known clearly and with certainty. Therefore, whoever denies this obligation, in fact he has denied Allah and denied the Prophet sallallahu 'alaihi wasallam, so that he was punished by kufr.”(Muhyiddin an-Nawawi, al-Majmu 'Syarh al-Muhadzdzab, Egypt, al-Muniriyah, second edition, 2003, volume V, page: 331).

Allah SWT has stipulated the provisions for paying zakat in the Qur'an such as:

هَٰذَا زَبَاةٌ مِّنْ مَّا كَانُوا يَكْسِبُونَ
 وَأَنْزَلْنَا إِلَيْكَ الْكِتَابَ فِيهِ تَحْتَمِلُونَ

“Take zakat from some of their assets, with this zakat you clean and purify them”(Surah At-Taubah: 103)

Accounting for Zakat

The Indonesian Accountants Association (IAI) as an accountant professional organization in Indonesia seeks to contribute in order to create a good accounting system for zakat management organizations (OPZ). In 2010, IAI issued Statement of Financial Accounting Standards (PSAK) Number 109 which aims to regulate zakat accounting. In addition to accounting for zakat, this PSAK also regulates infaq and sadaqah accounting in terms of recognition, measurement, presentation and disclosure of zakat and infaq / sadaqah transactions that apply to OPZ which is obliged to collect and distribute zakat and infaq / sadaqah.

PSAK No. 109 is issued as a standard guideline in recording transactions and preparing financial reports made by the Zakat Management Organization. With this standardization, every report made by the Zakat Management Organization becomes uniform and can be compared in recording and reporting. This will be very helpful in the process of audit audits by public accountants. This statement aims to regulate the recognition, measurement, presentation and disclosure of zakat and infaq/sadaqah transactions. The scope of the ED PSAK Syariah 109, this statement applies to amil who receive and distribute zakat and infaq/sadaqah. Amil who receives and distributes zakat and infaq/sadaqah, hereinafter referred to as "amil", is a zakat management organization whose formation is intended to collect



and distribute zakat and infaq/sadaqah.



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Internet Financial Reporting

The use of the Internet network through the www system to publish information on the financial performance of business organizations is popularized under the name Internet Financial Reporting (IFR) and is not only limited to financial statements, but also includes all information related to the financial performance of business organizations, for example: discussion and analysis, management, segment financial statements, and notes to financial statements (Jones, et.al.,2003). Currently, financial performance reporting through the www system does not have specific rules from professional bodies and is still voluntary in nature, so that business organizations are still free to create and utilize various kinds of technology to present information on financial performance.

Financial reporting disclosed via the internet is financial information conveyed by company management to stakeholders, especially investors. The information conveyed to the market can influence market reactions or investors' reactions. Furthermore, investors will respond to this information as a signal of certain events. The response of investors to disclosure of financial reporting via the internet can be either a positive response or a negative response. Investors will give a positive response if the published information is good news (good news) and vice versa investors will give a negative response if the published information is bad news information (Mooduto, 2013).

3. Research Methods

The analysis used in this research is to use an interactive and semiotic quantitative study approach for content analysis that will further study and evaluate PSAK No. 109 in financial reporting using the Zakat Management Organization website media. In a semiotic qualitative research model, one method that can be used is content analysis (Chariri 2009). This research will evaluate and analyze of application of PSAK No. 109 in financial reporting using the Zakat Management Organization website media. The population that will be used in this research is the Zakat Management Organization obtained through the observation of the LAZIS website. The population in this study is the amil zakat institutions contained in the 2019 national amil zakat institutions as many as 25 institutions. While the sample in this study were 11 amil zakat institutions that did internet financial reporting during 2017 and 2018.

Each OPZ financial report included in the website will be matched with the format stipulated in PSAK No. 109. Then the amount of OPZ disclosure will be compared with the total disclosure set in PSAK No. 109 in the form of a percentage (Table 3). Accountability is measured by the level of disclosure (Coy and Dixon 2004). The higher the level of disclosure on the website, the higher the accountability (Rahim and Martani 2016). The level of disclosure criteria refers to the corporate governance disclosure index (Haron 2006). This criterion is used because accountability is one of the principles of governance. Referring to the two studies (Haron 2006, Rahim and Martani 2016), the researcher considers the same criteria for the level of disclosure and level of accountability.



Table 1. Level of Disclosure and Accountability

Percentage of Disclosure	Level of Disclosure and Accountability
> 80%	Very High
70 % - 80 %	High
60 % - 70 %	Intermediate
50 % - 60 %	Low
< 50 %	Very Low

Source : Haron, 2006

4. Results

Based on the national amil zakat institution in 2019, there are 25 amil zakat institutions that can be used as tax deductions. However, from these data the OPZ becomes the object of research that has met the requirements to be used as research observation data.

Table 2. Research Sample

NO	OPZ	SK	Website	IFR
1	LAZ Rumah Zakat Indonesia	Keputusan Menteri Agama No. 421 Tahun 2015 Tanggal 30 Desember 2015	https://www.rumahzakat.org/	Y
2	LAZ Yatim Mandiri Surabaya	Keputusan Menteri Agama No. 185 Tahun 2016 Tanggal 29 April 2016	https://www.yatimmandiri.org/	Y
3	LAZ Pesantren Islam Al-Azhar	Keputusan Menteri Agama No. 240 Tahun 2016 Tanggal 23 Mei 2016	http://www.al-azhar.or.id/index.php/sosial	Y
4	LAZ Baitulmaal Muamalat	Keputusan Menteri Agama No. 256 Tahun 2016 Tanggal 26 Mei 2016	http://bmm.or.id/	Y
5	Lembaga Amil Zakat Infak dan Shadaqah Nahdatul Ulama (LAZISNU)	Keputusan Menteri Agama No. 255 Tahun 2016 Tanggal 26 Mei 2016	https://nucarella.zisnu.org/	Y
6	LAZ Muhammadiyah	Keputusan Menteri Agama No. 730 Tahun 2016 Tanggal 14 Desember 2016	https://lazismu.org/	Y
7	Yayasan Rumah Yatim Ar-Rohman Indonesia	Keputusan Menteri Agama No. 209 Tahun 2017 Tanggal 07 April 2017	http://rumah-yatim.org/	Y
8	LAZ Yayasan Griya Yatim &	Keputusan Menteri Agama No. 287 tahun 2018 Tanggal	https://griyayati.com/	Y



	Dhuafa	07 Mei 2018		
9	LAZ Yayasan Daarul Qur'an Nusantara (PPPA)	Keputusan Menteri Agama No. 367 tahun 2018 Tanggal 08 Juni 2018	https://pppa.or.id/	Y
10	LAZ Yayasan Mizan Amanah	Keputusan Menteri Agama No. 764 Tahun 2018 Tanggal 10 Desember 2018	https://mizamanah.or.id/profile	Y
11	LAZ Panti Yatim Indonesia Al Fajr	Keputusan Menteri Agama No. 120 Tahun 2019 Tanggal 13 Maret 2019	http://pantiyatim.or.id/tentang-kami/	Y

Source: Researcher (2020)

There are five types of financial reports for zakat management organizations according to PSAK 109, namely: 1) financial position reports, 2) changes in funds reports, 3) reports on changes in assets under management, 4) cash flow reports, and 5) notes to financial statements. After it was discovered that OPZ disclosed financial statement information via the internet, 11 OPZs had disclosed their financial statement information

Table 3. Overall Level of Disclosure

NO	OPZ	Financial statements					Total skor	Category
		LPK	LPD	LAKel	LAK	CALK		
1	LAZ Rumah Zakat Indonesia	100	85	100	94.7	100	95.94	Very High
2	LAZ Yatim Mandiri Surabaya	81.8	75	0	0	100	51.36	Low
3	LAZ Pesantren Islam Al-Azhar	100	90	0	73.7	0	52.74	Low
4	LAZ Baitulmaal Muamalat	90.9	30	0	0	100	44.18	Very Low
5	Lembaga Amil Zakat Infak dan Shadaqah Nahdatul Ulama (LAZISNU)	90.9	90	100	100	100	96.18	Very High
6	LAZ Muhammadiyah	90.9	90	0	100	100	76.18	High
7	Yayasan Rumah Yatim Ar-Rohman Indonesia	100	90	0	0	100	58	Low
8	LAZ Yayasan Griya Yatim & Dhuafa	100	85	0	85.2	100	76.04	High
9	LAZ Yayasan Daarul Qur'an Nusantara (PPPA)	54.6	50	0	0	0	20.92	Very Low
10	LAZ Yayasan Mizan Amanah	45.5	70	0	73	0	37.7	Very Low

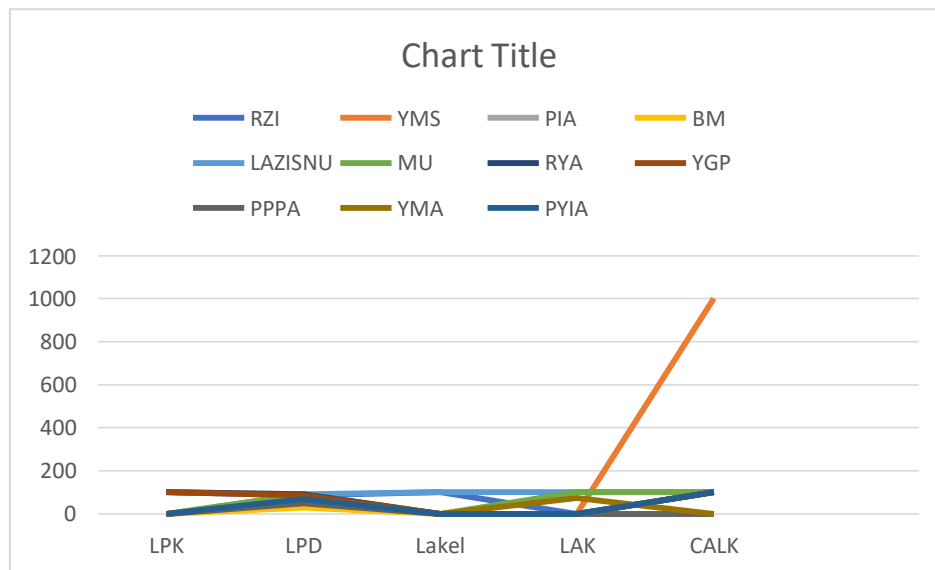


11	LAZ Pantii Yatim Indonesia Al Fajr	90.9	70	0	0	100	52.18	Low
Average		85.9	75	18.2	47.9	72,7	60.13	Intermediate

Source: Researcher (2020)

From table 3 which describes the percentage of financial reports as a whole, it can be seen that of the 11 Zakat Management Organizations, the disclosure of financial statements is in the middle category level with a value of 60.13%. With the low level of disclosure (still below 50%), this proves the low accountability of zakat managers (Nahaba 2012). In fact, disclosure through the internet is cheap and can provide a wide range of information (Basuony 2014). This indicates that the level of disclosure of OPZ internet financial reporting in Indonesia is still not good because it is still at the middle level. This happens because the prevailing regulations are still weak and there has been no action from the government in regulating OPZ financial reporting because OPZ itself is still in the form of non-profit organizations (non-profit organizations).

Chart 1. Overall Level of Disclosure



Source: Researcher (2020)

Financial reporting conducted by OPZ as one of the non profit organizations in Indonesia should be more accountable because the funds used in OPZ operations are for the benefit of the people. The givers of zakat, infaq and sadaqah actually want nothing but transparency in the distribution of these funds. According to Rini (2016) that OPZ financial reporting should be obliged to Baznas as the institution authorized to carry out zakat management tasks nationally, as regulated in article 6 of Law Number 23 of 2011 concerning Zakat Management. The results of this



study are in line with research conducted by Rini (2016) which



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revealed that the low level of disclosure of financial statements carried out by OPZ is thought to be one of the factors that have resulted in the still far-reaching national zakat potential. From the potential for zakat, donations and alms nationally amounting to 217 trillion rupiahs (Nahaba, 2011). This tax potential is equivalent to 10.4 percent of the 2016 APBNP which reached Rp. 2,082 trillion (Zakat Forum, 2016). However, ZIS revenue in 2015 only reached 3.7 trillion rupiahs (Triyono 2016).

5. Conclusion and Suggestion

Conclusion

From the results of the research conducted, it can be concluded that the level of internet financial reporting for OPZ in Indonesia is still in the middle category with a value of 60.13%. in other words, the disclosure of internet financial reporting for 11 OPZs in Indonesia is still quite low. In addition, the findings of this study are that some of the OPZs still think that some financial reports are not too important to disclose. The low level of government regulations that specifically regulate the disclosure of financial statements of non-profit organizations is one of the reasons OPZ ignores disclosures of internet financial reporting.

Suggestion

From the conclusions outlined in this study, it is suggested that OPZs increase their accountability require assistance from the government to issue regulations regarding the obligation to submit OPZ annual reports to Baznas. OPZ should also make indicators in its financial statements, namely performance measurements.

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