

## Factors Affecting the Quality of Financial Reports in Baznas North Sumatra

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### Abstract

*This study aims to determine the factors that affect the quality of financial reports in Baznas throughout North Sumatra. This is related to the large number of Regency/City Baznas in North Sumatra that provide financial reports only on revenues and expenses. This study uses a quantitative method using SmartPLS 3.0. The research sample is all BAZNAS in North Sumatra registered in the 2019 National Zakat Index, which amounts to 12 Regency/City Baznas. The sample of this study were 52 people. From the initial data processing, it is known that the loading factor in this study is not below 0.7. The results of the study using bootstrapping are known that Human Resource Competence has an effect on the quality of financial reports with  $t_{table} > t_{count}$  2.106 > 1.76, Computer Technology has no effect on the quality of financial reports because  $t_{table}$  is smaller than  $t_{arithmetic}$  0.501 < 1.67, the application of PSAK 109 has no effect on the quality of financial statements because  $t_{table}$  is smaller than  $t_{count}$  0.679 < 1.67.*

### Keywords

competency of human resources; information technology; application of PSAK 109



## I. Introduction

Zakat is one of the obligations for every Muslim in the world, the command of zakat is always repeated after the command to pray, zakat is the third pillar of Islam after the creed and prayer. Zakat is also a cleaner of property that is required by Allah so that Muslims must carry out His commands. Because of the importance of the zakat order, the Indonesian government issued Law no. 23 of 2011 which regulates the management of zakat. In Article 3 Paragraph 1 Baznas Regency/City must provide financial reports every 6 (six) months containing the implementation of zakat management from January 1 to June 30 of the current year, in paragraph 2 it reads that the year-end report contains the implementation of zakat management from January 1 to with December 31 of the current year (Law No. 23 of 2011) .

The preparation of financial statements is very important for entities seeking profit or non-profit, Baznas is an official non-profit institution established by the government to receive and distribute zakat from Muzakki to Mustahik. So that Baznas is responsible for making quality financial reports. To be responsible to Muzakki who has entrusted their Zakat to Baznas. Research conducted (Sapingi 2020) In preparing financial statements in Malaysia, not all zakat institutions disclose their zakat information for public viewing, because there are no special regulations that require them to do so.

**Table 1.** National Zakat Index Value Category

<b>Score</b>	<b>Category</b>
0.00 – 0.20	Not good
0.21 – 0.40	Not good
0.41 – 0.60	Pretty good
0.61 – 0.80	Well
0.81 – 1.00	Very good

Source: National Zakat Index 2019

Based on the results of zakat performance reporting seen from IZN data, that the reporting value in Table 1 of 12 Baznas registered in the IZN only Provincial Baznas got a reporting value of 1.00 which means very good, Sibolga Baznas got a score of 0.50 or quite good, Baznas Binjai City, Medan, Deli Serdang Regency, Labuhan Batu, Toba Samosir, Serdang Bedagai, Central Tapanuli, Mandailing Natal and Batubara scored 0.25 or which means less good. There are also those who have registered with IZN but get a score of 0.00 which means it is not good.

Financial reporting is the final result of the accounting period that must be made to see how much profit is generated in that period. Reports are made by someone who understands and understands and is an expert in their field at least a graduate from accounting major. The preparation of good financial statements will actually produce quality financial reports that describe the performance of quality entities (Atik Sri Purwati 2018), (Suginam and Rahayu 2021)

Quality financial reports reflect an entity that is subject to established regulations in accordance with applicable regulations (Ikatan Akuntan Indonesia 2015). In the 2019 National Zakat Index for the Sumatra Region, it is known that there are still many Regency or City Baznas that have not provided quality financial reports in accordance with applicable regulations, namely financial reports that must be audited by external auditors and internal auditors. Of the 22 Baznas offices, only North Sumatra Province Baznas and Sibolga City Baznas have conducted external audits and received Unqualified Opinions (WTP). Based on the 2019 National Zakat Index, it can also be seen that there is still a lack of attention from local officials in providing APBD funds to Regency/City Baznas, so that Regency/City Baznas have difficulties in carrying out their operations (IZN Baznas, 2019).

It is so important to carry out an external audit because it is evidence of Baznas' accountability to mustahik who have entrusted their zakat to be distributed to muzakki. The results of research conducted at Baznas Malang are still not conducting internal and external audits (Marlina Ekawati 2020).

The measure of accountability in financial reporting is indicated by the opinion given by the external auditor (BPK RI) on the presentation of government reports. Based on the National Zakat Index, only the Provincial Baznas and Sibolga City have conducted external audits with unqualified opinions. The results of the Baznas IZN 20 data have not yet conducted an external audit, which means that the quality of its financial reports is not in accordance with Law no. 23 of 2011.

Based on previous research, that the factors that can affect the quality of financial reports according to (Setyowati, Isthika, and Pratiwi 2016) the results of the audit of the Regional Government Financial Reports (LKPD) for the 2014 fiscal year in Central Java Province show that there are 6 local governments that have obtained Unqualified Opinion (WTP), 6 Regional Governments received Unqualified Opinion with Explanatory Paragraphs, and 24 Regional Governments Received Unqualified Opinion (WDP). Data on the development of BPK RI for the North Sumatra Province shows interesting

developments, where out of 34 reporting entities, only 14 entities received an Unqualified Opinion (WTP) (Nurlinda et al. 2020). Likewise, several studies conducted with the same title are factors that affect the quality of financial reports. Human Resources, Information Technology, Internal Control Systems on the Quality of Financial Reports (Dewi and Ernawatiningsih 2018), (Roni, Husnan, and Fitriah 2013), (Kurniawan 2016) , (Baturante, Kamase, and Nasaruddin 2018) (Rahayu 2019).

In the preparation and presentation of general purpose financial statements must be in accordance with Financial Accounting Standards (SAK) (Indonesian Institute of Accountants 2015) . Human Resources (HR) is the most important component in a company or organization to run the business it does (Niati et al., 2021). The problem faced by Baznas in North Sumatra Province is the lack of Human Resource Competence, so that in providing financial reports to Provincial Baznas it is not timely. Quality financial reports according to KDPPLKS paragraphs 45-63, the qualitative characteristics of financial reports, namely relevant, reliable, comparable and understandable have not been carried out optimally (KDPPLKS IAI 2007), .

Good resources without being supported by adequate technology are also one of the obstacles that must be solved because information technology is an illustration of the quality of every financial report.

Information technology is the dominant factor that affects the quality of financial reports in MSMEs (Atik Sri Purwati 2018) , (Hombing et al. 2020). Technology systems can assist the process of financial recording and reporting, with the use of technology to provide quality, accurate, relevant and timely financial information (Hombing et al. 2020). Information technology affects the quality of financial reports, research conducted (Hadi and Darwis 2017), (Kurniawan 2016), (Baturante, Kamase, and Nasaruddin 2018), (Efendi, Darwanis, and Abdullah 2017).

The application of PSAK 109 is also an obligation that must be carried out by Baznas and zakat managers in accordance with applicable financial standards so that financial reports can be said to be of good quality if they follow the standards (Ikatan Akuntan Indonesia 2015). The results of the study are that there are still many Baznas that do not apply PSAK 109 (Arief, Manossoh, and Alexander 2017), (Shahnaz 2016) (Isviandari, Diana, and Mawardi 2019). In contrast to research at Baitul Mall Aceh, 94% have implemented PSAK 109 (Murniati and Ikhsan 2020).

The purpose of this study is to examine and explain the effect of Human Resource Competence, Information Technology, Application of PSAK 109 on the Quality of Baznas Financial Reports in North Sumatra Province. Financial reports are said to be of good quality and useful in decision making, which can be reflected in the qualitative characteristics of quality financial reports (Azlim, Darwanis, and Bakar 2012). Characteristics of financial statements which are normative measures that can be realized into accounting information in meeting the objectives consist of 4 characteristics according to the Basic Framework for Compiling Islamic Financial Institution Reporting (KDPPLKS) paragraphs 45-63, qualitative characteristics of financial statements are relevant, reliable, comparable and understandable. Financial reports are said to be of high quality if they meet the rules and regulations. Human Resource Competence (HR) is the ability of a person (individual), organization (institutional) or a system to carry out its functions or authority to achieve its goals effectively and efficiently (Karmila 2014) . Human resources are the full ability of the work of thinking and physical power possessed by each individual. Information Technology.

## II. Research Method

This research uses a quantitative method with the SmartPLS analysis tool. Respondents in this study were 60 people consisting of: Chair 1, Chair 3, Treasurer, treasurer staff and IT staff. From a total population of 60 people, only 52 could be sampled. 8 people did not send back the questionnaire file.

Quality of financial reports (Y) using indicators that are relevant, reliable, comparable, understandable, Competence of human resources (X1) uses indicators of knowledge, skills, behavioral attitudes, information technology (X2) ease of using IT, usability, indicators for the application of PSAK 109 (X3) recognition and measurement, presentation, disclosure.

## III. Results and Discussion

The study was conducted at the National Amil Zakat Agency throughout North Sumatra, which consisted of 1 Provincial Baznas Office and 21 District/City Baznas Offices throughout North Sumatra. The object of this research was conducted in Baznas throughout North Sumatra which have been registered in the National Zakat Index as many as 12 regencies/cities. The subjects in this study were Chair 1, Chair 3, Treasurer, treasurer staff and IT staff. Respondents in this study as many as 52 people who. From a total population of 60 people, only 52 could be sampled. 8 more people did not send back the questionnaire file. Data collection techniques using a questionnaire by asking a list of questions to be filled out by respondents. Measurement using a Likert scale. Data Analysis Techniques Research quantitative researchers using *software SmartPLS 3.0. Partial least square*. The research was processed using SmartPLS 3.0 to see the results if the data can be seen in the image below.

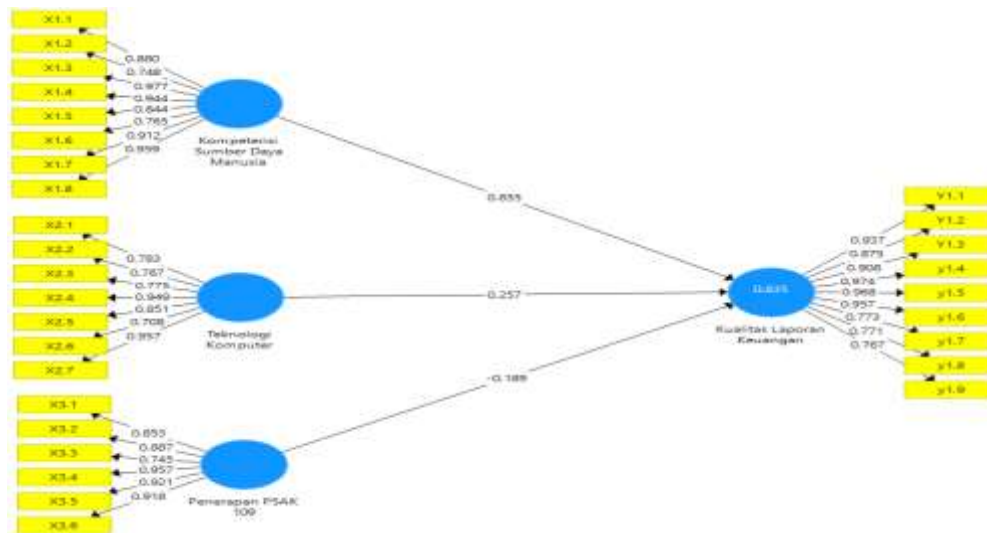


Figure 1. SmartPLS 3.0 Jalur Path Diagram

In Figure 1 all the indicators formed are said to be good because they already have a loading value  $> 0.7$  (Hair, JF, Hult, GTM, Ringle, CM, & Sarstedt 2013)

**Table 2.** Path Coefficient

<b>Variable</b>	<b>t<sub>count</sub></b>	<b>t<sub>table</sub></b>	<b>V Value</b>	<b>Description</b>
X1 → Y	2.106	1.67	0.036	Take effect
X2 → Y	0.501	1.67	0.617	No effect
X3 → Y	0.679	1.67	0.497	No effect

Source: SmartPLS 3.0. Data Processing

In table 2 shows:

1. There is a positive and significant influence between the competence of human resources on the quality of financial reports. This test means that the greater the competence of human resources (X1), the effect on the quality of the financial statements of Baznas in North Sumatra (Y).
2. There is a positive and significant influence between information technology on the quality of financial reports. This test means that the better information technology (X2), the better it will not affect the quality of Baznas financial reports in North Sumatra (Y).
3. There is a positive and significant effect between the application of PSAK 109 on the quality of financial statements. This test means that the better the application of PSAK 109 (X3), the better it will not affect the quality of Baznas financial reports in North Sumatra (Y).

Of the variables carried out by the research, only the competence of human resources has an effect on the quality of financial reports. Baznas in North Sumatra still lacks human resources who are experts in accounting, the financial reports provided to Baznas of North Sumatra Province are still not in accordance with the regulations of Law no. 23 of 2011 which states that Regency/City Baznas must at least provide a report every 6 months or December 31 for the current period. Human resources are the main assets of organizations that are planning and active actors in every organizational activity (Kurniawati, Intan. Rispantyo. Kristianto 2018) , (Hombing et al. 2020) , (Setyowati, Isthika, and Pratiwi 2016) , (Dewi and Ernawatiningsih 2018 ) ) , (Muhammad Tharmizi Junaid 2020), (Kurniawan 2016) , (Wahyu Aswandi n.d.), (Baturante, Kamase, and Nasaruddin 2018). In contrast to the research conducted (Roni, Husnan, and Fitriah 2013), (Sanjaya, Rasuli, and Haryani 2016), (Siwambudi, Yasa, and Badera 2017). Knowledge does not guarantee the competence of human resources for zakat amil in Bandung (Darisah, Sofianty and Sukarmanto 2018) .

Information technology has no effect on the quality of financial reports, this research is in line with research conducted (Puriyanti 2020), (Aprilliani 2017), different from research from several previous studies which say technology affects the quality of financial reports, good use of information technology can be used for the development and utilization of information technology advances to improve the ability to manage finances, and distribute financial information to public services (Surastiani 2015) . (Hadi and Darwis 2017) , (Kurniawan 2016), (Baturante, Kamase, and Nasaruddin 2018), (Efendi, Darwanis, and Abdullah 2017), (Wiwik Pratiwi 2020). This is because the Regency/Municipal Baznas in North Sumatra are still unable to utilize information technology properly, judging from the quality of its financial reports which are still not in accordance with regulations made by the government and regulations that must comply with PSAK 109.

Statement of Financial Accounting Standards No. 109 concerning Zakat Accounting issued by the Indonesian Institute of Accountants (IAI) is a guideline that regulates financial recognition, measurement, and reporting. Zakat accounting standards regulate how a transaction is recognized or recorded, when it must be recognized, how to measure it, and how to disclose it in the report. finance (PSAK 109 2008).

The application of PSAK 109 has no effect on the quality of the financial statements. This is in line with research conducted (Isviandari, Diana, and Mawardi 2019) which found mosques as managers of zakat, infaq and alms still present financial reports using a cash basis, because most mosque administrators do not receive formal accounting education. In line with the researcher's findings, there are still many Regency/City Baznas who do not understand in making PSAK 109 because they do not understand in making financial reports in accordance with PSAK 109 which is regulated by the Government. This study is different from the research conducted (Darisah, Sofianty and Sukarmanto 2018), (Aprilliani 2017), which said that the application of PSAK 109 had an effect on financial statements because it was in accordance with applicable regulations.

#### IV. Conclusion

The Baznas of Sumatra Province has been very good in its financial reporting, has implemented PSAK 109 and has also provided an annual accountability report. Even so, there are still many Regency/City Baznas that do not follow the rules from the government. 23 of 2011 concerning management in Baznas, but there are still many Regency/Municipal Baznas that have not implemented the regulation. Regency/Municipal Baznas are still recording revenues and revenues, have not implemented PSAK 109. Not implementing PSAK 109 and the use of information technology is also due to the lack of competence of human resources, so that they cannot produce quality financial reports.

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